Saskatchewan
Local Government
Finance
Commission

Saskatchewan

Options for the Future:

Conference on Local Government Funding
September 26 and 27,1984

OPTIONS FOR THE FUTURE

Conference on Local Government Funding

September 26 and 27, 1984

Legislative Assembly Chambers
Regina, Saskatchewan

Saskatchewan Local Government
Finance Commission

Hansard -- Legislative Assembly of Saskatchewan

LOCAL GOVERNMENT FINANCE COMMISSION

Ray Clayton, Chairman

Don Rowlatt, Vice-Chairman

Ted Brady, Commissioner

Herve Langlois, Commissioner

Bob Linner, Commissioner

Lol O'Shaughnessy, Commissioner

Ike Thiessen, Commissioner

Nick Volk, Commissioner

GUEST SPEAKERS

Dr. Enid Slack
Economic Consultant
Teacher and Author on local public finance in Canada

Dr. John Brennan
Dean of Commerce
University of Saskatchewan

TABLE OF CONTENTS

PAGE

WEDNESDAY, SEPTEMBER 26, 1984

Chairman's Opening Remarks 1

Premier's Address 3

Presentations

Saskatchewan Association of Rural Municipalities 15

Saskatchewan Health-Care Association 38

Saskatchewan School Trustees' Association 53

Saskatchewan Library Trustees' Association 78

Saskatchewan Urban Municipalities Association 87

THURSDAY, SEPTEMBER 27, 1984

Morning Session 110

Afternoon Session 161

TABLE OF CONTENTS

PAGE

WEDNESDAY, SEPTEMBER 26, 1984

Chairman's Opening Remarks 1

Premier's Address 3

Presentations

- Saskatchewan Association of Rural Municipalities 15
- Saskatchewan Health-Care Association 38
- Saskatchewan School Trustees' Association 53
- Saskatchewan Library Trustees' Association 78
- Saskatchewan Urban Municipalities Association 87

THURSDAY, SEPTEMBER 27, 1984

Morning Session 110

Afternoon Session 161

MR. RAY CLAYTON: -- Mr. Premier, members of the cabinet, members of the Legislative Assembly, delegates and observers, fellow commissioners, ladies and gentlemen. In May of this year the Government of Saskatchewan appointed the Local Government Finance Commission. This commission was given the task of enquiring into, and reporting upon, a broad range of issues that relate to the financing of our various local government institutions.

My name is Ray Clayton. I am the chairman of that commission and I will be chairing this conference over the next couple of days.

In Canada we have, of course, three levels of government. We, of course, have our federal government, our provincial governments, and at the local level we have governments that cover the services provided by cities, towns, villages, rural municipalities, school divisions, a lot of health-care boards, and library boards.

Some do not recognize the importance of local government nor the magnitude of the services they provide. If we set aside the transfers of funds that are made from one government to another, and if we also set aside other forms of transfer payments to individuals for things like income support, in terms of actual expenditures on goods and services local government spends more than either the federal government or the combined provincial governments.

Let us consider a number of questions. What revenue sources should be used to finance sewer, water, streets, roads, recreation, fire protection, and other municipal services? What taxes should be used in support of our schools and our libraries? Should local taxes continue to be used to fund, in part, the services provided by our hospitals? Is there a better way to finance local government services than through the property tax?

This conference provides an opportunity for the commission to discuss these and other issues pertaining to local governments with a number of very important organizations that represent our various forms of local government in Saskatchewan -- our Saskatchewan Health-care Association, the Saskatchewan School Trustees Association, the Saskatchewan Urban Municipalities Association, the Saskatchewan Association of Rural Municipalities, and our Saskatchewan Library Trustees Association.

We hope to have a good discussion (the commission does) with these groups over the next couple of days. And we are also pleased to note that a good number of other organizations that, while they are not directly involved with, are certainly vitally interested in local government. And they are here taking in the proceedings in an observing capacity throughout this conference.

We also have a good number of provincial government departments represented here today and a number of cabinet ministers, representing finance, education, rural development, urban affairs, Department of Health, provincial library, and Executive Council.

We look upon this conference as a beginning for a fairly extensive process of consultation over the next number of months, and over the next couple of years, that we have available to fulfil our mandate.

I will speak a bit more later on this morning about the structure of this conference and the plans for the weeks and months ahead. But at this time I would like to introduce to the conference the Hon. Grant Devine, Premier of Saskatchewan. Premier Devine, we are very grateful that you have agreed to address our conference at its commencement, and we'd be pleased to hear from you now.

HON. MR. DEVINE: -- Thank you very much, Ray. Ladies and gentlemen and friends, including neighbouring Canadians -- I believe that there are some people here perhaps from other provinces. It is a pleasure for me to be able to welcome you to the 1984 Conference on Local Government Financing. It is an important event, and as I will outline, not only important for Saskatchewan, but I believe it will be important for Canadians.

It's a pleasure for me to stand here today before so many people and friends who have put so much into their communities. You represent a great tradition -- a tradition of local government; a tradition of local democracy, and a tradition of accessible representation which is extremely important for all of us.

Saskatchewan, and western Canada as a whole, was built because inspired people sought to build a better life for themselves at the local level with their families and their neighbours in their community.

I believe that the very fact that you hold the positions you do today is evidence that you are determined to continue in the tradition of our pioneering families. And it is a good tradition, a very good tradition. It is what I call a Lake Valley tradition, a Wilcox tradition, a Humboldt tradition -- indeed, a Saskatchewan tradition.

It's a tradition of men and women wanting to provide schools, hospitals, social services, basic municipal services, jobs, opportunities, and all that go into making a vibrant and vigorous community where friends and families can enjoy life, prosper and feel secure and feel that they are in control. We are the beneficiaries of a foundation of our parents and of our grandparents, and sometimes even our great grandparents that established this for us. It seems to me that they put up with a lot so that we might enjoy a lot. And now it's our turn. It's our turn. It's yours, and it's mine, to see that future generations are left with a legacy of which our pioneering families would be proud. How would my mom, my dad, my grandfather feel about what we are about to do today, and can do, in the years to come?

In my view, local government has been the backbone of our province, and as far as I'm concerned it always will be. It seems to me that I've observed some interesting characteristics of how Canadians look at local government.

1. Canadians, particularly western Canadians, do not like to be over-governed or particularly over-taxed.

2. They like to make decisions for themselves.

3. They do not like to have a government, especially a federal or a provincial, big and seemingly distant government making too many decisions for them.

While this is true.

4. Western Canadians do recognize, perhaps more than others, that there is an important role for government for health, education, social services, all kinds of opportunities, but they recognize that there are some important concerns. And these concerns, in my view, are very legitimate.

5. They like their governments to consult with them and involve them in making major decisions.

6. They like decisions that affect them to be made as close as to home as possible.

While I support these attitudinal characteristics of Saskatchewan people, I believe they're healthy, and they deserve respect. In fact, that's one of the reasons we established the Local Government Finance Commission of which you are all members. In my view, the closer a politician or a government is to the people it represents, the better it can represent the real interests of the community at the local level. That's important.

And even though a provincial government is much, much closer to the people tha~~t~~n the federal government, we still think that you know in your communities better than any other level of government what's important to people in your community. You live in those communities; you work in those communities; you play in them, and one day, God willing, you will retire in them. We want to see that your communities are good places in which to live, to work, to play, and even better, communities for you and your neighbours to retire in tomorrow and for opportunities for your children in the future. And by working together these objectives can be achieved.

It seems to me we all have tremendous responsibilities in this regard because Saskatchewan competes with other jurisdictions. We compete with the Dakotas; we compete with Manitoba and Alberta. We, indeed, compete with other Canadians. We have a personal responsibility of our own to make sure that we do the best we can. We have a community responsibility. But what's more, we have a national responsibility to develop our own talents and our communities to the best of our ability.

We recently had the opportunity to meet and greet and visit with his Holiness Pope John Paul II. And in his discussions he said the following, "Development and progress," are new words for "Peace," -- development and progress.

It would seem to me that what Saskatchewan has had a tradition of doing, and what we have before us as a challenge today, is development and progress, because it is a good thing to do; and it doesn't stop at the local community. It extends itself throughout the province, throughout the nation and, indeed, throughout the world.

And our pastor last Sunday, his opening statement in his sermon was, "Don't ever underestimate the power that you have as an individual." And that's the strength of local communities. If you don't underestimate the power that you have as an individual, and you put that together with his Holiness' view that development and progress are new words for peace, we can make, and should make, and have the responsibility to make, a significant contribution, not only at the local level, but at the broader level.

Let me say a word about the commission. Members of this commission were selected for their experience and their knowledge in various areas of local government, and, particularly, local government financing. We think you, and they, are among the best and brightest we have in Saskatchewan communities. Your past work within your organizations and your communities have shown you to be men and women of dedication, determination, enterprise, and endeavour. We are fortunate to have such people who are willing to give of their time, their energy, and talents on behalf of not themselves, but their communities and their country.

Your group gathered here today is very, very experienced and very well rounded. You have the background to put ideas into the commission and to take ideas out of the commission. You are the best we have. And now, in this forum, you will be able to present ideas to the Government of Saskatchewan, and I again say to people across the country, ideas that will benefit the people you represent and residents province-wide and abroad.

I want to make one point very clear. Although you are meeting in the Saskatchewan legislature today, in this Assembly, this is not the provincial government's conference. It is your conference. The provincial government is here to listen, not to present positions. We are not here to direct you. In fact, we want you to direct us. We want to explore the options for new positions and new approaches to old problems and to new challenges. This is your opportunity. We all know that the old problems are around. So right now, I suggest three things:

1. We identify them -- and I've looked at some of your representation and that's well done;
2. That we not unduly dwell on them; and
3. That we seriously discuss and explore the challenges and opportunities and solutions for Saskatchewan today.

I believe if we can all begin to talk about challenges and opportunities and about meeting those challenges, we'll be off to a very good start for the people we represent, and you represent at home.

Local government financing in Canada is very much in need of solutions, and you can provide those solutions. And others will listen. Canadians will be watching, and they will follow. Saskatchewan has a history of suggesting new and positive directions for other Canadians. Saskatchewan has made suggestions from politicians like Mr. Diefenbaker, Mr. Douglas, and local communities that have been here for years on things like universal health care. Saskatchewan recently, through local communities, made suggestions that are now either envied or copied by other Canadians. And I just suggest one or two that just came from local communities. Mortgage protection for home-owners in 1988 -- your suggestion -- local communities; mortgage-rate protection for the farm community -- your suggestions from local communities; now watched and perhaps envied. Targeted tax relief and various areas of strength. And similarly I point out, your suggestions now are being implemented, or at least part of policy at the national level. People in Prince Albert met and they suggested to, at that time, the Leader of the Opposition, that taxes should be removed from diesel fuel for farms; capital gains tax should be taken off farm land, not only in Saskatchewan, but across the country -- designed here in Saskatchewan, and people picked it up and it now, in my belief, will be the policy of the land -- started here with local people.

Canadians will listen, and we have the opportunity. Our government is going to listen to your discussions. We want to know what you have to say, and what you suggest. In a way, I guess I'm saying you're on your own, and that's good because you are accustomed to thinking as individuals in being able to work in that environment.

Let me just take a few moments to discuss, or to relate, or to review some of the challenges we face as Canadians today; and we have many opportunities, and I will talk briefly about those. But I'll just share with you some of the challenges.

One obvious challenge is money and financing which is one reason the commission is established -- things that you're concerned about. Governments from coast to coast and throughout the world have found that revenues are limited, and it doesn't grow on the proverbial tree, and, as inflation has shown, to simply print more and more is self-defeating. And many countries have found that out.

Two, at the same time as governments have found that money is tight, they have also found that they have created an atmosphere which people still have very high -- and legitimately so in many areas -- expectations of what this country can be -- high expectations.

But we are like our pioneers. We believe that we should be able to expect more. In other words, we don't quit. We don't like to quit. Pioneers didn't in the past, and, in fact, the new pioneers of today don't. That's why we have artificial heart transplants, men on the moon, and combines that can do 1,000 bushels an hour, because we believe that we can be better. That's why we have excellent schools, excellent universities, hospitals, nursing homes, pension plans, and so forth, because we believe we can improve on what we have designed -- we, men and women.

Each generation wants to live a little more secure, a little more prosperous than the previous one. It is our duty to see that the next generation does exactly that.

Three, it seems to me we have to match the first two. We have to match those rising expectations with the cyclical and financial realities of the world. As Charles Dickens, a great social reformer, and a man who worked long and hard in his community said, "Annual income one pound and six pennies; annual expenses -- one pound; result -- happiness. Annual income one pound; annual expenses -- one pound and six pennies; result -- misery." And that's as true today as it was when he said it.

Whether you're a family or a government, you can only spend more than you take in for relatively short periods of time, but not as a rule, and not for long. In the end we can't live beyond our means -- as a nation, as a province, as a community, or as a family. We can't do that; neither can your organizations, groups, or communities that you represent. And you know that, and I know that.

Now, the fourth observation is: the North American economy today in the early '80s is not as strong as it was in the '60s and '70s. If we look at Canada, we have eleven and a half million people unemployed, and a federal debt of tens of billions of dollars. It's evident that the nation is in some serious financial difficulty. Ottawa lived beyond its means, and as a result, Saskatchewan and every community and individual in the province suffers to a smaller or a greater degree because of that.

At the national level, taxes may have to be raised to cover the deficit. Billions have to be paid out in unemployment insurance to the jobless. Federal borrowing pushes up interest rates to home owners, businessmen, women, farmers, and provincial and municipal governments. All this doesn't make our job any easier.

Then we have what is known as short-term cyclical problems; in some cases disasters, high interest rates, and drought. Neither one we can do a whole bunch about. The crop result may not be as bad as we originally feared, but is bad enough, and it will cut back on revenues, certainly income, at the local level as well as all other areas.

And the interest rate levels continue to take their toll. That's the bad news. But I'm an optimist, and we have a lot to be optimistic about. We have great strengths in the province of Saskatchewan, and we have great diversity.

We have more in this province than some countries have in total. We have almost half the farmland in the nation; massive amounts of uranium and coal and natural gas and oil and potash and water; great schools, universities, new technology. All that's available to us smack dab in the middle of North America -- bright, well educated, hard-working people, blessed with resources. Today we have something like $9.1 billion in projects that are in the mill with new expansions in mining and oil and upgraders and steel and buildings and fibrous electronics and water. And outside today it's raining, which is not bad news in southern Saskatchewan.

We have been blessed with a great deal of resource and wealth and opportunity.

2. Canadians gave themselves, and elected themselves a brand new administration in Ottawa with a Prime Minister, in my view, who is determined to get it going because he's been given the opportunity. And I believe he will.

I believe the new federal government will attract domestic and foreign investment, give businessmen and women renewed confidence, and create jobs. That's what he was asked to do. This will give governments new revenues for new tax-paying job holders, cut unemployment insurance and welfare costs, and bring down interest rates. And that's possible. But it won't be resolved tomorrow morning. But it was started to be resolved yesterday. It will take time. And this will be one of the things that you and I will have to grapple with -- time.

3. Another source of optimism is your own strength in your own community. As Saskatchewan has unique strengths so does every individual part of Saskatchewan.

And I believe it's extremely important for us to identify those. And I throw this out -- for the first time that I can recall, and I've done some research, at the Premier's Conference in P.E.I. we identified the Canadian strengths that we should focus on. The Premiers said, "Why don't we focus on our strengths and build on those where we find them?" And we identified 11 -- agriculture, energy, financial and business services, fishery, forestry, manufacturing and processing, mining, new technology, tourism, transportation, and water -- as Canadian strengths.

Well, I will extend the same challenge right down to the local community as close as you can get it. What are our strengths where we live? At the federal level and the provincial level if we can identify those strengths and target them and build on them, we will compete well nationally and internationally. And we will be competitive, and we will grow, and we will provide opportunities.

We have to protect the areas that are weak, but we have to build on the areas that are strong to generate the wealth so that we have it to build the schools and the hospitals and the roads, and so forth. And each community knows that it has separate and individual talents and strengths; that if we could co-ordinate at the federal level and the provincial level and at the local level, we could target all the way down and all the way up as Canadians, not to miss any opportunities.

For example, I take the question of water and how we use water for the development of towns and villages and tourism and recreation and economic development -- extremely powerful. With our review of water possibilities in the province you have identified to us $5 billion of water projects that are there to be done, that allow communities to grow, to provide tourism, to provide irrigation, to provide economic development.

All we need is the imagination of ways to put them together. For example, ways to fix 10-year interest rates so that we can go into the market and do them, and people will opt for. That's one of the reasons that you suggested we set up a water corporation to handle those and to deal with them, whether it's $5 million or $50 million or $150 million. It's a very powerful mechanism at your disposal to be able to use.

I use that as an example of things and elements and sectors of our local economy that we can target to begin to build on.

Well, despite national economic problems and effects of drought, and so forth, we're determined in Saskatchewan to enrich the lives of our residents and our communities. It's our government's policy, and I make this very clear, to avoid taxing and slashing during difficult international or climatic conditions. And instead, we prefer to engage in re-priorization that will allow us to find better and more effective ways of delivering the services we currently deliver in meeting new and ever-changing needs of our communities. Now is the time to use our imagination. We have potential and we have the opportunity to grow. Now is the time to direct our imaginations and our resources in that fashion to make it happen. But we need you to help us. You understand the local strengths better than anybody in this province or, indeed, the nation.

Let me just focus on a couple of my views about local governments. First, let me say, I believe any system of local government finance should be fair; should be responsible, easily understood, and stable. Good local government financing should actually encourage self government. And you can tell us how that can be attained. In fact, many of your suggestions that I have seen already are extremely positive.

2. I believe a fair system of government finances must involve both fair taxes and fair economic benefits for all those individuals at the local level. Your insight in how this mesh can be achieved is extremely important.

3. I believe by encouraging self-government we can encourage responsible government and maintain that tradition that you represent -- local accessibility, local democracy, local representation, and local control.

Municipalities that have the autonomy to make decisions independently of other governments will be better able to meet the needs and desires of their own constituents. Your ideas here are fundamental to the success of the commission.

4. I believe when financing methods are easily understood by taxpayers, there is more of an incentive for governments to be responsible for their actions. Taxpayers want you to educate them in this regard, and by doing so you will increase community awareness and respect for local government -- yourselves.

5. I believe stable and predictable sources of revenue -- stable and predictable sources of revenue -- are needed if local governments are to engage in long-term planning, and able to function independently from the province.

The provincial government wants local government to function more independently. And, I believe, it will, as well as believing it should. We don't want to meddle in your affairs any more than we have to. Perhaps you can tell us how to do this and how to meddle even less.

In summary, what I am saying is that I believe, to maintain this tradition that we've started in Saskatchewan something like over 100 years ago, we must have local control, and we must have fair and predictable sources of revenue for local communities.

You may have noted that in outlining all these points I have concluded each point by stressing that it is your help, your assistance, your advice -- ideas and insight -- which are needed. This is your conference. We are coming to you, and I believe you will take it seriously. We are willing to listen to everything you have to tell us, and what's more we are prepared to take action -- swift action on your advice.

We want you to act now on behalf of the people you represent, and when you act we will act just as quickly. When you hand us your reports we won't just consider them or reject them in private or in some room in government. We're going to talk to you about them openly and collectively as you see fit. And this is how it should be because you are the experts, you are the people that know.

What we can implement of your ideas we will, and what we can't implement, we'll tell you or discuss why we can't or why we believe we can't. What we can, we'll be proud to do. And I hope we don't have to use the word, "Can't," at all. I hope it's all, "We can, we can, we can." It's much more important to communities and to build them.

Well, you may wonder, I suppose, at my comments this morning that I haven't touched on specific issues. Well I don't really want to direct you in discussing your specific issues. I don't want to pre-empt or prejudge what you're about to say here and what you're about to do, and what you're about to provide the rest of the province and the rest of the nation. I don't want to unduly influence you in any way at all except to say this: be positive, be constructive, and be visionary. Remind yourself that Saskatchewan has a history of leadership and innovation, and you're sitting in the chair. This is your opportunity.

I know I can count on all these things. You are problem solvers by nature, and that's why you're here. You are here to find solutions, and I know you will. That is what Saskatchewan and, indeed, Canada needs -- solutions. And for that the residents of our province and the people that live in your various communities will be very, very grateful for many years to come.

Thank you for being here, and good luck in the next two days.

MR. RAY CLAYTON: -- Thank you, Mr. Premier. I know that all of us assembled here were keenly interested in your remarks. You touched on the importance of local government. You spoke about the value of the consultative process. You talked a bit about the background leading up to the formation of this commission and the expectations of the government in this respect. And I guess we also appreciate, Mr. Premier, your optimism and your enthusiasm. That's a good start for us.

We recognize, Mr. Premier, the heavy responsibilities that rest with you, and that you do face a demanding schedule. We recognize, in particular, that this is the day of the week that the cabinet holds its meetings and that you must leave to preside over that meeting. We recognize, however, that there will be a number of ministers that will be remaining with us and a number of senior officials from various government departments that will be observing this conference throughout its duration.

Thank you, once again, Mr. Premier.

At this time I would like to make a number of introductions. You may wish to stand briefly, or wave to be recognized, depending on your own wish. We have, as I mentioned, a number of ministers of the Crown here today, the Hon. Graham Taylor, Minister of Health; the Hon. Tim Embury, Minister of Urban Affairs; the Hon. Louis Domotor, Minister of Rural Development; the Hon. Patricia Smith, Minister of Education; the Hon. Bob Andrew, Minister of Finance.

We have some members of the Legislative Assembly: Mr. Arnold Tusa, Legislative Secretary to the Hon. Patricia Smith; Mr. Duane Weiman, Legislative Secretary to the Minister of Education, as well; Mr. Lloyd Sauder, Legislative Secretary to the Minister of Rural Development.

I would also like to introduce to you the members of the official delegations from our local government organizations, and I will introduce them to you in the order in which they will be presenting their briefs as the day unfolds.

From the Saskatchewan Association of Rural Municipalities, Mr. Charlie Phelps, President; Mr. Keith Smith, Director of Division One; Mr. Bernard Kirwan, Director of Division Three; Val Kononoff, Director of Division Five; Lorne Wilkinson, Executive Director.

From the Saskatchewan Health Care Association: Sister Roddy, President; Bernie McCallion, Second Vice-President; Mr. Hewitt Helmsing, Executive Director.

From the Saskatchewan School Trustees Association: Mr. Robert Mann, President; Walter Neufeld, First Vice-President; Alphonse Kirzinger, Second Vice-President; Gilda Treleaven, executive member; Jake Volk, Executive Director.

From the Saskatchewan Library Trustees Association: Mrs. Darrach, President; Kathy Wasmann, board member; George Bothwell, Secretary-Treasurer.

From the Saskatchewan Urban Municipalities Association: Mr. Herb Taylor, President; Ed Magis, Vice-President, Cities; George Bristow, Vice-President, Villages; Len Boxell, Director, representing towns; Dick Wankling, Executive Director.

I would also like to introduce to you the members of the Local Government Finance Commission. In your conference kits there is background and biographical information on each of them, so I will just introduce them by name at this time: Herve Langlois, Ted Brady, Lol O'Shaughnessy, Don Rowlatt, Ike Thiessen, Nick Volk, and Bob Linner.

I'd like to give a bit of an overview of the conference. For the remainder of this day, we will be hearing briefs from each of the five local government organizations that I've just introduced, and we hope to have time -- that is, the commission hopes to have time after the presentation of each of the briefs to engage in some discussion with the presenter of the brief. This evening we will have a banquet which we hope will provide for an opportunity for all of us here to mix, to get to know one another, and we hope that the official delegates and invited observers will find that to be a useful occasion. It's not intended to be a heavy evening. We will have a lot of serious discussion through the day. This will be more of an informal opportunity for discussion.

Tomorrow at 9 o'clock -- 9 o'clock sharp, I might say -- we will begin the day with two guest speakers, Dr. Enid Slack, a noted author and lecturer in the field of local government; and Dr. John Brennan, who is the Dean of our College of Commerce in Saskatoon. After each of those -- or after the speakers have presented their views to us, we will have some opportunity to question them.

After the speakers have spoken, and after we have had an opportunity to discuss their messages, we will then have an opportunity for each of the official delegations to make comments or raise questions in regard to points made in the other briefs that have been presented this day. In the afternoon of tomorrow, the commission members and the official delegates will engage in a discussion of three specific subject areas: capital funding, operating funding, and our rebate programs, the role that they may have.

This conference really is only the beginning of a fairly extensive consultation exercise. This meeting, this conference will be followed by a series of 11 regional meetings at different parts in the province. At that time we hope to hear from a good number of rural municipalities, cities, towns, villages, school divisions, library boards, hospital care boards; hopefully, as well, a number of interested citizens as individuals, and other organizations that are interested in the field of local government.

Governments face a number of pretty major challenges. Basically, revenues have been growing slower than expenditures. Deficits have been incurred at fairly major levels by our federal government, by almost every provincial government. Here in Saskatchewan we are rather fortunate. We are in a deficit situation, but it's among one of the lowest in Canada. These deficits are difficult to eliminate. Some of the . . . well, economic growth, of course, renewed economic growth would serve to increase revenues, would serve to reduce some of the expenditures that are currently required. A good number of the factors influencing economic growth -- not all of them, but a good number of those factors -- are outside the control of our federal government or our provincial government -- certainly outside the control of municipal governments because they are international in nature.

Governments, of course, would all like to have a healthy fiscal situation, but if they look to the prospect of increasing taxation or decreasing expenditures, either one of those approaches are not without their own problems.

What about local governments? Although the deficit situation or the overall fiscal balance of senior and provincial governments may in itself be some indicator of the kind of financial pressures they face, it is not really a good indicator of how local governments are doing. Local governments basically do not have the legal authority to budget for deficits. They may incur deficits, but not plan for them, and so, therefore, if we are to look at local government and say, well, gosh, they haven't been incurring deficits to any sizeable extent, therefore they have no problems, no financial problems, this would indeed be very misleading.

Where does all of this leave us? We cannot solve our problems by simply shifting our problems from one level of government to another. For example, for the provinces to say they can solve all of their problems by getting huge increases in federal assistance is not particularly healthful, particularly at this time when the deficit situation of our federal government is at least three times, on a per capita basis, what the average provincial situation is. Similarly, local governments cannot solve their problems by simply expecting massive increases in provincial transfers to them.

We need to recognize, I guess, that we have an overall public sector problem. We're in this together. All levels of governments are involved. Let's work together to analyse those problems and to identify some options that may hold promise for solution. Let's not be afraid to look at the possibility, at least the possibility, of some fundamental changes. Let's not be overly critical of ideas that may seem on the surface to be unrealistic or radical -- at least, not until we have had time to fully explore them. Let's try to be innovative.

This conference, we hope, will be a positive beginning to an identification of the issues and an evaluation of various options.

Let's not be disappointed if we don't find all the answers here in this next couple of days, because, after all, this is really only just a beginning.

I hope that we can all be enthusiastic and positive, and hope as well that we'll all have the faith that by working together we can, in fact, build a consensus and find some solutions.

Ladies and gentlemen, with those few remarks, I would now like to call on the first of our local government organizations to present briefs, and the Saskatchewan Association of Rural Municipalities is first on the list. I believe, Mr. Phelps, you had some introductory comments to make. Mr. Phelps.

Saskatchewan Association of Rural Municipalities -- Presentation

MR. PHELPS: -- Thank you, Mr. Chairman. Mr. Lorne Wilkinson, the Executive Director, will now read the brief from the Saskatchewan Association of Rural Municipalities. Lorne.

MR. WILKINSON: -- Mr. Chairman, hon. members present, members of the commission, participants, ladies and gentlemen.

On behalf of the rural municipalities of Saskatchewan, we would like to extend our appreciation to the Government of Saskatchewan and to the Local Government Finance Commission for providing us with this opportunity to discuss all aspects of local government financing in this province. We have a number of issues to raise with the commission, but in view of the time constraints at this conference it will not be possible to go into any of the topics at any great length. It is for that reason that we have chosen on this occasion to speak more of the principles of local government financing. It is our understanding that soon after the conference, in the year or two ahead, SARM (Saskatchewan Association of Rural Municipalities) will be provided with a number of opportunities to discuss our concerns in more depth with the commission.

We would like to preface our remarks by stating very clearly that Saskatchewan is a community of people working and playing together. Whether we live in rural Saskatchewan or whether we live in one of the villages, towns or cities in Saskatchewan, we are very dependent on one another. Every one of us living in this community has a responsibility to make our equitable contribution to the community, and in turn, every one of us has a right to expect our fair share of the amenities of life that that community can provide for us. While each of the associations participating in this conference has a responsibility to present the case for the people they represent as fairly and as clearly as possible, it is hoped that all of us will have the sense of community spirit that allows us to recognize the hopes and aspirations of others as we take on this study of local government finances.

Property Tax Issues

Due to the fact that property tax is the main source of revenue for municipal governments, the use to which it is put looms large on our list of concerns.

Property tax is expected to carry the load of a wide range of services, many of which we firmly believe should not be the responsibility of the property owner, but rather the responsibility of all people in our society. It is our position that property should be taxed for services to property, and that services to people should be provided from a source of revenue to which all people contribute.

Municipal governments provide services of roads, streets, sidewalks, police protection, fire protection, snow removal, street cleaning, garbage collection, sanitary requirements, weed and insect control, etc. These are services to property, and it is fair and just that property owners pay for these services in the form of the property tax.

Services such as education, hospitals, health, ambulances, are services to people, and therefore the revenue to support these services should come from a source to which all people contribute or from a source of resource development or general revenue which is owned jointly, or contributed to, by all of us.

SARM has for years called for the removal of the cost of education from property. This past year SARM and SUMA (Saskatchewan Urban Municipalities Association) have prepared a joint brief supporting this concept, and you are advised that that brief received the overwhelming support by resolution of delegates to the March, 1984 SARM convention. A copy of that brief is appended hereto as an integral part of this presentation to you at this time, and it's marked as Appendix I.

Also appended hereto is a copy of a study made by SARM into the use of the rural property tax for municipal services, education, hospitals and libraries. This too, we submit, is an integral part of this submission. Appendix II.

It is not possible to do justice to these documents in the time allotted to us at this conference. We do, however, officially request that you provide us with the opportunity to discuss the contents of these documents with you in detail in the very near future. In view of the fact that members of the commission have had access to these documents for some time, you may wish to raise the issues discussed therein at this conference, and we certainly invite you to do so.

Other Issues Related to the Property Tax

In addition to education, hospitals, welfare and roads, which take a major share of the revenue derived from property tax, there are a number of activities for the betterment of the community in which rural municipalities become involved, and once they become involved there develops an annual financial commitment to each activity. The accumulative budgetary effects vary from one rural municipality to another, but in many municipalities such annual commitment could consume from 15 to 30 mills and possibly more of the local tax levy. Once committed, there is very little a municipality can do but to levy and pay out this 15 to 30 mills each year. Such activities might include:

Senior citizen homes, nursing homes, health regions, veterinary districts, skating rinks, curling rinks, community halls and centres, seed cleaning plants, agricultural facilities (that is, fairgrounds and buildings), regional parks and resorts, regional park and resort roads, waste disposal grounds, chemical can collection sites, regional libraries, library housing facilities, pest control officers, weed inspectors, fire control areas, ambulance services, recreation boards, cemeteries, community wells, swimming pools, theatres, medical clinics, picnic grounds, ski hills, airports, pastures, watershed areas, C & D areas, policing; and the list could go on.

Through these activities the property taxpayer is called upon to support activities used by taxpayers and non-taxpayers alike, many of whom do not reside in the municipality.

Rail Line Abandonment

Throughout Saskatchewan many rail lines are being abandoned as part of a federal government transportation policy. It is not our intention to get into the argument of the rights and wrongs of this policy. The fact, simply stated, is that rural municipalities affected will have to build and maintain more miles of bigger and better roads to accommodate larger trucks and heavier traffic to accommodate the products previously transported by rail. As this occurs there will be a greater need for adequate policing and weight limit enforcement to protect these roads. This results in a substantial shift of cost from the railway companies to the municipalities and their taxpayers.

Loss of Tax Base

The tax base of rural municipalities is being continually eroded in a number of ways:

Annexations -- Rural municipalities are losing taxable land as urban communities expand. In this regard we strenuously object to urban municipalities that attempt to annex more land than they need for immediate expansion needs. Frankly, in many cases, it appears that such urban municipalities are requesting this additional land to enhance their own tax base at the expense of the rural municipality.

Elevators and Rail Lines -- With rail line abandonment, municipalities are losing the assessment previously applied to these branch lines and the elevators that are subsequently abandoned in hamlets.

Wildlife Land -- Over the years the provincial government has taken more and more land for wildlife purposes. The Crown does not pay taxes, and thus this tax base is lost to the rural municipality. In this case the province does not pay grants in lieu of taxes. We will be discussing grants in lieu of taxes in more detail under that heading.

Crown Corporations -- As crown corporations expand their activities (particularly the Saskatchewan Power Corporation), large blocks of land are required to meet their needs for such items as site location, strip coal mines, flooded areas, etc. Crown corporations are not required to pay taxes. In some situations grants in lieu of taxes are paid, but there is no established government policy in this regard. Crown corporations should pay legitimate property taxes based on the same assessment procedures as private industry. Crown corporations must be required to pay its tax to the local government jurisdiction in which the property is located, and must not be allowed to interfere with the administration of local governments, as was the case with the Saskatchewan Power Corporation in the Coronach area district a couple of years ago. If there is a case for tax sharing, the terms of such tax sharing must be left with the department of municipal government concerned and the local governments involved.

Exemptions -- This is a problem affecting urban municipalities more than rural municipalities, but we raise it as a matter of principle. Municipalities are incorporated bodies, not unlike the Saskatchewan Power Corporation, for example. Every user of power, whether it be a school or church or whatever, pays for the services of power from the Corporation. We ask the question: Why is it that this government-controlled corporation has the right to charge users for the services of power it provides, while municipal corporations are denied the right by legislation to charge all users for the services such as police protection, fire protection, garbage collection, snow removal, etc., that the municipality provides?

Legislation providing for exemptions should be removed from the various acts.

Grants in Lieu of Taxes

The Crown has arbitrarily taken the position that the Crown does not pay local government taxes. Our association take the view that this is unfair and illogical.

When the Crown takes land and pays no tax, the municipality loses that tax base, which must be picked up by other property taxpayers in that municipality.

When the Crown develops that land by placing a facility of some kind on it, there is invariably a cost to the municipality to provide services of some kind to that facility. Again, the local property taxpayer is affected financially.

If the land taken by the Crown is in a strategic location, the possibility of a private tax-paying property owner developing there is forsaken. Again a loss in tax base is often the result.

The Crown has used the argument that such developments by the government or by crown corporations are for the benefit of the people of the province at large. We suggest that if this is the case, all people of the province should contribute to the service costs of such development through the payment of a property tax to the community affected. Certainly the local community should not be expected to subsidize the people at large.

It should be a generally accepted rule of thumb that the province pays taxes to local governments, based on the same assessment procedures as are applied to private property.

Having said that, we must acknowledge that there are large government projects in small municipalities where this principle would have to be negotiated to meet the practicalities of the situation.

Hospital Financing

In Appendix I we have prepared statistical information that shows that rural residents are paying, on a per capita basis, up to six times as much as their urban counterpart within the same union hospital district.

This glaring discrepancy is the result of the basis of the requisitions made on local governments for hospital financing. These requisitions are based on assessment of the various local governments that form the hospital district. Some are urban, and some are rural. The level of assessment in rural municipalities cannot be compared with the level of assessment in urban municipalities when they are used to finance social services such as education and hospitals.

Hospitals are a service to people, and it is therefore people that should be taxed to finance hospitals.

We don't agree that property owners should be saddled exclusively with the local cost of hospital financing, but if the government of the day believe they require this funding until such time as local government financing in general can be reorganized, we suggest that the requisitions made on local governments be based on a per capita basis only, with the requisitions being paid by local governments from general revenue.

We see no reason why this simple amendment to the pertinent legislation cannot be adopted by the government at the next sitting of the legislature, and we are therefore requesting the commission to include this recommendation in their interim report to the government this fall.

At the appropriate time in the near future, of course, we want the cost of hospitals completely removed from the property tax.

Library Financing -- This is another service to people that, for its educational component, should be financed from some source other than education and property tax. As for the recreational component of libraries, local government might logically make a contribution on the basis of local usage and local priorities.

It is noted from the Background Paper on Local Government Financial Issues, in the cities of Regina and Saskatoon, (quote) "the City Council has the final decision-making authority over the amount of funds to be used locally." End of quote.

This is as it should be. Local conditions as between one local government and another vary greatly as to the extent a library may be used. Local governments should be given the right to decide the amount of annual contribution that it will make to library services. This could be handled by way of a contractual agreement to provide the stability of library budgets.

One complaint we hear very often is the questionable and unacceptable tactics used by the supporters of library services to coerce a municipality into joining a regional library system. The concept of making the support of library services compulsory on local governments is absolutely unacceptable to the rural municipalities of this province, and will be vigorously opposed.

Population Decline in Rural Saskatchewan

The population in rural Saskatchewan has declined dramatically in recent years. Efforts to reverse this trend have been more vocal than real. The fact is that farms are getting larger, primarily due to the economics of farming. It's simply a case of getting bigger or getting out.

The dilemma faced by farmers and the rural local government is that a farmer needs two or three times the land base he once needed to maintain the same standard of living. While his relative income has not improved in real terms, he must pay taxes on this increased land base.

The rural municipality, while not having as many people to serve, still has the same area in terms of road construction, maintenance, snow removal, etc., with fewer people to pay the cost.

The cost to a rural municipality of providing municipal services on a per capita basis has increased two- and threefold. The statistics as found in the SARM survey (Appendix II) indicate that rural people are paying three times or more for their municipal services than do people in urban settings. In addition, the urban resident receives a far better level of service. Many services an urban resident takes for granted, a farmer must provide for himself, such as snow removal, garbage collection, water, sewage, lane improvement, to name a few, while other services, such as police and fire protection, are extremely limited.

Road Construction

The largest expenditure of rural local government is in the area of road construction. The amenities of life, such as health services, hospitals, recreation, receiving and delivering the products necessary to his business enterprise, depend on an adequate transportation system. Saskatchewan has a rural road system in excess of that of Alberta and Manitoba combined, built by 240,000 residents with less than 50 per cent of the cost received in government grants.

This is a tremendous undertaking, but necessary to his survival as a farmer in our day and age. There are four level of road standards in Saskatchewan:

Primary Grid -- This heavily travelled road is scheduled to be blacktopped at some time in the future. While the program has been in existence for a number of years, there has in fact been very few miles that have been blacktopped, due to the heavy cost of construction and maintenance, and the road spending priorities of municipalities. Under present financial structures, we are told that many municipalities will never proceed to blacktop these roads. These primary grid roads are shown on provincial road maps and are numbered.

Grid Roads are a system of all-weather roads that can be considered connecting roads between urban centres, highways and each other. These roads are also shown on the provincial road map, but they are not numbered.

Main Farm Access Roads are essentially what the name implies. They are a lesser quality of road that lead to the farmsteads, and while these roads are of lesser quality, they are gravelled.

Dirt roads, including unimproved road allowances are generally cheaply constructed roads that allow for the most part, a farmer to get to his various fields and pastures. There is no government assistance on this type of road.

Please take note of the general description we have given to primary grid and grid roads, as being connecting roads between urban centres, the provincial highway system, and each other. The claim that rural property taxpayers are paying 50 per cent of the construction costs, and a much higher percentage of the maintenance costs, of a secondary highway system is valid. This system is used extensively by urban dwellers, particularly the business community making deliveries to their rural clients, and they bear none of the cost.

Conversely, the farmer buys all of his personal and business requirements from the business people who pay a property tax to the urban municipality. Property tax is considered a legitimate overhead expense, before profit, to any business enterprise. It follows then, that part of the purchase price of a commodity purchased by a farmer goes towards paying the property tax of an urban municipality.

How much does this amount to? Well, one-third of the population of Saskatchewan live on farms, and they therefore reasonably represent one-third of the sales volume of the urban business community, and it follows that farmers are paying indirectly one-third of the property tax paid by urban businesses to their local government.

Urban people buy very little from Saskatchewan farms, and there is therefore no reciprocal financial benefit to the rural municipality.

Where is the Wealth in Saskatchewan?

The previous argument leads to another interesting question. Where does the wealth in Saskatchewan really lie?

Farmers are considered wealthy because they mainly own or control land which carries a high assessed value, because assessors deem the land to have a high market value.

During the farmer's working years, the only real wealth he has is in the productivity of his land. Over his working years he may eventually become the owner of the land as his savings each year go towards the purchase price. Working people in urbans put their savings in banks and investments, but usually in superannuation plans. In a sense then, the cash from the sale of his land when a farmers reaches his retirement, becomes his superannuation.

When he sells his land he moves off, some young farmer takes over, moves on the land and struggles with mortgages, interest rates, etc., and hopefully one day he too will own the land.

Where does the farmer that sold the land eventually go? We suggest he usually winds up in some urban municipality and takes his wealth with him. He buys or builds a new home as is so evident all over this province, thereby adding to the tax base of the urban municipality, and he has the necessary financial resources to easily carry his tax burden.

Conversely, the rural municipality is left with no increase in its tax base, but has to consider the effect its mill rates will have on a young struggling farmer that has no wealth.

The bottom line on this scenario is that the so-called wealth in rural areas gravitates to urban centres, providing them with an enlarged and lucrative tax base, while the so-called wealth based on assessment is, in many cases, only a paper figure.

Ability to Pay Principle

In Appendix I we have said that to own property is not a measure of ability to pay. Under the heading, "Where is the wealth in Saskatchewan?" we have given one example of the truth of that statement.

With the year we have just experienced, we cannot resist the impulse to state that many farmers do not have the ability to pay property tax this year. In fact, we are told that the bankruptcies among farmers all over Canada is serious, and it is going to get much worse.

The bankruptcies and foreclosures of urban businesses and the loss of homes by urban residents is equally tragic. Property is not the measure of ability to pay that it was once deemed to be.

Variable Mill Rates

We have indicated to the government on previous occasions that in so far as rural municipalities are concerned, we see some real disadvantages to allowing for a variable mill rate. We do not see it being used in rural municipalities as it might be used in urban municipalities. There might be a use for a different mill rate for organized hamlets in rural municipalities, because they are essentially urban in nature, with different cost factors related to their service requirements.

Any discrepancies in the tax load in rural municipalities would be better addressed through an equitable assessment procedure.

Debenture Financing

Due to the volatile nature of the agricultural industry in Saskatchewan, rural municipalities have traditionally shied away from debenture borrowing for major capital expenditures.

Some may argue that it is more economical to borrow now and pay later, thereby letting inflation help foot the bill. Some may argue that it is more economical to build large sections of roads, for example, than the municipality can afford with current financing, thereby getting a better contract price.

Both of these arguments have some validity, but we should not be fooled. A debenture debt is essentially a mortgage on the property a taxpayer owns. That debenture debt must be met on regular intervals, whether the taxpayer has an ability to pay his taxes or not.

The last two years have proven this point. Many farmers do not have the ability to pay their property tax, and the situation could get much worse in the foreseeable future. Tax arrears are once again beginning to appear on the tax rolls. Rural municipalities are in a much better financial position today to ride out the current economic crisis in Saskatchewan because they were frugal in past years and are not saddled with a debenture debt that must be met.

Local Autonomy and Local Accountability

This question of autonomy and accountability has been raised by school trustees in answer to our quest to have the cost of education removed from property.

Our position remains the same in both documents submitted herewith, Appendix I and Appendix II.

Autonomy

There are those who argue that it is the ability of a school board to tax property that gives that board a measure of local autonomy. We do not agree with that premise. The autonomy given to school boards, hospital boards, municipal councils, etc., comes to them through provincial legislation. That legislation can be very generous or very restrictive, with the matter of local autonomy depending on the point of view of the legislators, and it has very little to do with the local board's source of revenue. Examples supporting this point of view can be given if requested.

Accountability

People are only accountable to the taxpaying public if they are reasonably accessible to the taxpaying public. Due, we believe, to the size of school divisions, but also, we suggest, due to their particularly singular function as a special purpose board, there is a definite lack of communication between taxpayers and their school representatives. School trustees are not accountable for their actions in the true sense of the word because the taxpaying public, for the most part, don't know who they are.

Property Tax a Mortgage on Life Savings

There is no tax that exists today where the taxpayer can lose his life's savings by default. Sales tax, tobacco tax, luxury tax, poll tax, gas tax, income tax -- before the tax is applied, there is money there with which to pay the tax.

A tax on property is supposedly a tax on wealth, but we suggest that property is no longer a measure of wealth, for the person responsible for the taxes, in the majority of cases, is not the sole owner of the property. Ownership of property, where the true wealth lies, is often with the banks and financial companies who hold the mortgage on the property. If we are truly trying to get at wealth, we should be taxing the mortgage holder and the investors, but such is not the case.

Because the title, even though not free of encumbrances, is in the name of the user, in the eyes of the assessor it represents wealth and is assessed accordingly. If the user, the title holder, is not capable of paying his tax levied against him because he has no income, that is not considered an excuse. We put a lien on his property, and eventually take his property away from him. In the dirty thirties thousands of farmers lost their life's savings in the forfeiture of their land to the tax collector, as did homeowners and businessmen.

It is happening now, and it could get worse. This is a cruel and disgusting scenario, when we realize that the property owner is being loaded up with a tax to support every conceivable service that a selfish, unthinking public can load on him, while the wealth in terms of investments, superannuations, etc., can escape scot free.

Property Tax Rebates

Whoever conceived the concept of a local government property tax rebate has to be given credit for being an astute politician, for only in the field of politics could such an illogical program receive credibility.

If the government wants to help people through some sort of means test, so be it. But to hold back money from educators, thereby forcing them to levy a tax on property, and then come back and say trustees are unreasonable in their demands, so we, the government, will refund a portion of the tax from the provincial treasury, is ludicrous and insulting.

If the government sees the need and has the money for education, it should go to education directly.

In recent years we have muddied the water even more. Now we have a special rebate program for senior citizens. This implies that all senior citizens are hard up. We all know that that is not the case. The majority of our senior citizens can provide very well for themselves as many have substantial investment incomes. Why should we in society feel obliged to these people who have gained a very respectable and comfortable retirement from the very same society that provided them the opportunity to achieve that position. We have no quarrel with helping those in need, but if we didn't have a program that gave to those "without need," we would have more to give to those in "true need".

We take exception to the property improvement grant being paid to apartment dwellers. Our statistics (Appendix I) show that, for example, on a per capita basis, farmers are paying three times that of urban people generally, and that urban homeowners are paying three times that of apartment dwellers. That is for educational services. Farmers then, are paying, on a per capita basis, five to six times that of apartment dwellers towards the cost of education in this province, and yet our society feels obliged to give them a grant to cut their contribution even more.

We are told that the property improvement grant has helped with the collection of taxes. And this may be so to some extent, but we suggest that with proper discounts and penalty legislation we can still provide an equal incentive for the payment of taxes.

The province has recently announced a grant policy for the return of the educational portion of the property tax on the home quarter. SARM certainly appreciates this consideration extended to the farmers in this regard. It is a recognition by the government of what we have been saying all along, that farmers are paying far in excess of their fair share for the cost of education in this province. While we say "thank you" for the generosity of this grant, we hasten to add that it is not the answer to the basic problem. For the many reasons we have expounded in this brief and in the documents attached hereto, (Appendix I and II) we have no alternative but to press for the complete removal of the cost of education from the property tax.

Revenue Sharing

We would like to express our opinion on revenue sharing as briefly as possible under the following headings:

Principle -- the principle that local governments should share financially with the province, in good times and in bad times, is valid. The level and service provided by the two levels of government are integrated as both are dedicated to provide, for the people we both represent, the best standard of living possible. When the province enjoys good times, so should local government. When times dictate that economic restraint is required, local governments must co-operate.

Amount of basic grant -- has to be negotiated in the light of the responsibilities placed on local government and the services that they are expected to deliver, and the cost of delivering those services in the various sectors of our province. We have a number of items that must be identified as to whose responsibility they are. For example, industrial roads, grid road links in urban centres, timber haul roads, just to name a few.

Per Capita -- the sharing of revenue sharing grants on a per capita basis is not reasonable. The cost of providing services in the vast area of rural Saskatchewan with its relatively sparse population is far greater than that of providing similar services in urban centres. There is also considerable variation of the cost of services in the three levels of urban municipalities that we have here in Saskatchewan (villages, towns and cities). Under the current per capita grant for urbans we are informed that some urban centres have not had to raise their mill rate for many years and still are able to accumulate surpluses. We suggest that a formula based on "per capita" is not doing the job.

Grants based on Cost of Services -- this concept, although continually requiring review and updating, seems to provide the best answer for meeting needs and still provide for local government financial participation. The important element in this formula is that it more closely meets the principle of fair play in the distribution of grant money.

Level of Services -- the level of services provided by local governments to the citizens of this province must be as equal as possible given the variety of conditions that exist particularly as between rural and urban dwellers. All segments of our society, rural or urban, contribute to the economic stability of our province. One cannot exist without the other. It follows then that each be entitled to a similar living standard.

As we said earlier, we give lip service to maintaining the family farm. Rural local governments must work towards providing farm families with the amenities of life that will make rural living attractive. Urban residents take for granted paved roads and snow removal, for example, to get them to and from their place of work, school or recreation. A farmer's desire for these conveniences for him and his family is no less strong than that of the urban dweller.

Conditional versus Unconditional Grants -- In fact, there is no such thing as an unconditional grant. The spending of so-called unconditional grants is regulated by the powers and duties spelled out in the act under which the local government operates. This is as it should be. The level of government that collects the tax or delegates authority for the collection of taxes has a responsibility to see that they are used properly. The province then, we suggest, has a responsibility to all taxpayers as to where and how tax money is used, and whether it is collected provincially or locally.

Having said that, we use the terminology of "conditional" and "unconditional" grants as we have developed an understanding of what we mean by those terms.

Unconditional grants are given to local governments to be spent in accordance with the provision of the local government act but the local government can set its priorities as to where the money may be spent at any given time. Because conditions and priorities vary from one local government jurisdiction to another, we suggest this to be the most desirable way to distribute grant money.

Conditional grants are generally given to achieve a certain goal. For example, the province wanted to develop a rural grid road system of a certain construction standard and one that would cover the province in some uniform way. This could only be accomplished by drawing up provincial standards of construction, maintenance and location that rural municipalities had to adhere to. SARM helped to draw up these standards. Similar to a contract, the municipality that wished to enter the program agreed to the contractual obligations. Conditional grants are acceptable and necessary under circumstances such as this, to achieve the goal desired, and in the case of the grid roads has proven to be of benefit to all concerned.

Revenue Sharing Escalator -- we are all familiar with the escalator formula that was developed when revenue sharing commenced in Saskatchewan, and why it was abandoned a couple of years ago. The problem before us, as we see it, is twofold: (1) what do we want and what can we expect in the immediate future? (2) what do we want and what can we expect in the long term?

We all know the financial situation of our economy today. It seems unreasonable to expect massive governmental expenditures in any segment of our economy. Our position will be, for the 1985 budget year, as it was for the 1984 budget year. That is to say we expect a grant increase of inflation or inflation minus 1 per cent providing always that all other sectors of our society are prepared to live within the same guidelines. The recession is not over yet and we are prepared to indicate our efforts to co-operate with others until such time as a turn-around is evident.

In the future we will want, and we will expect, our fair share of economic recovery. We have considered a revenue sharing formula where the escalator is tied 50 per cent to gross provincial government expenditures and 50 per cent to gross provincial government revenues. For example, gross provincial government revenues of 7 per cent, the escalator would be 3.5 per cent, and the gross provincial expenditure's increase of 6 per cent, the escalator would go up 3 per cent, which means that the total escalator increase in this case would be 6.5 per cent.

The previous calculations to arrive at an escalator was complicated beyond comprehension with its three year averaging, etc. We want something straightforward, that is easy to understand and easy to explain. The calculations should be available in time for local governments to set their budgets each year and we suggest there is no need for a three year averaging.

It is difficult to talk about revenue sharing for future years until we know the extent of the reorganizing of local government financing. We have indicated that we are prepared to discuss the future of revenue sharing in conjunction with the discussion of the removal of the cost of social services such as education from property.

Capital Funding -- urban municipalities have been getting capital funding of $100 per capita over five years. Rural municipalities have not been getting this grant. Rural councils feel that they have been discriminated against, and with justification. The need for capital funding in rural municipalities is equal to, and even greater than, the need of urbans. The need for costly road equipment is but one example.

This discrimination shows up best in the following example. The village of Aberdeen and the Rural Municipality of Aberdeen agreed to build a fire hall. The village financed its share from its capital grant allocation while the R.M. of Aberdeen had to finance its share from general revenue, or, in other words, a tax on the property owners.

The previous government had agreed to implement a capital grant for rural municipalities but did not remain in office to carry out its commitment.

If the present government is considering a renewal of the capital grants for urban municipalities then we, in rural municipalities, believe we have a right to similar treatment. Our costs are there, our needs are there, and we want fair treatment.

Industrial Sharing

Industrial tax sharing is obviously necessary in some circumstances. SARM recognized this years ago with the implementation of the potash tax sharing formula.

The problem seems to be that there are those among our urban counterparts that believe all industrial taxes in Saskatchewan should go to urban municipalities by some Devine Right. SARM will not tolerate this kind of mentality.

SARM will consider sharing industrial taxes providing formulas can be found that are just and reasonable considering all of the implications, but we will not agree to a one-way street. Urban municipalities must be prepared to put up their industrial taxes for the sharing in a similar way.

Assessment and Assessment Authority

We have had, and we are still having, many problems related to our re-assessments. We believe most of these problems could have been avoided, and can still be corrected, with some changes to the administrative level of the assessment authority.

First of all, the manuals that were drawn up, were drawn up without input from the users of the assessments, namely the urban and rural municipal officials, and without advice from the business and farming community on which the assessments are placed.

We suggest that the problems of urban assessment are different from the problems of rural assessment. In order to fine tune assessments in a manner suitable to each, there should be two assessment authorities -- one administered by the Department of Urban Affairs or by a board appointed by the SUMA to look after village, town and city assessment procedures in their entirety; and one administered by the Department of Rural Development or by a board appointed by SARM to look after all aspects of rural assessment.

As for rural assessments we have a good rapport with the officials of the Department of Rural Development and would not hesitate to delegate this function to them with an advisory board from SARM.

The whole function of assessment is to provide equity for taxation purposes. Once rural municipalities are assessed on the rural manual based on equity, and once urban municipalities are assessed on the urban manual based on equity, then it would not be difficult to relate to two for purposes of other taxing bodies that may be given the right to the property tax base. We hasten to add that this last statement is not an admission that we think that other authorities should be given such right, only that it would be just as logical, and just as possible, to relate the assessments between rurals and urbans under two authorities, as it is now under one authority using two manuals.

The main benefit of a separate authority responsible for rural assessments is that of giving attention to problems and correcting errors where they exist without delay and to keep assessment pick-ups current. Assessments are very much a part of "rural development" and the Department of Rural Development must therefore be delegated the function of rural assessments.

New Concept for Assessment

Mr. Chairman, you asked us to expand our horizons and suggest innovative ideas. Here is one for you to consider.

We have discussed the issue that property is not a measure of wealth; that it does not meet the ability-to-pay principle; that it is not related in any way to social services and should not be taxed therefor. We have suggested that property in terms of mortgages, investments and cash cannot be taxed in a similar way. On the other hand, we have expressed the opinion that property should be taxed for such services, for the services it receives or demands from the local government.

If these principles have logic then why not assess property on the basis of service the property requires from the municipal government. Let's forget about market value, construction cost, etc. The manual for assessment procedures would not be as hard to develop as current assessment manuals and could achieve a greater degree of equity.

For example, let's take two city homes on the same sized lot. One is worth $60,000 and the other is worth $200,000. The cost of servicing the two homes with police protection, fire protection, streets, sidewalks, garbage collection, snow removal, etc., are identical and on this basis should be assessed the same. If one were on a lot with a larger frontage, the assessment would vary due to the differential in municipal cost associated with the length of street, sidewalks, snow removal, street cleaning, etc., adjacent to the property.

Highrise apartments, for example, would have an increased assessment due to the cost of special fire equipment necessary to adequately protect it, while on the other hand, would have a lower unit cost than private homes foe garbage collection.

Property in rural municipalities could be assessed based on similar principles.

Business property would also be assessed in the same way, but the local government might, by legislation, be legislated the right to apply a business tax.

There will be many ramifications to this concept of assessment, and it would require a thorough and detailed analysis. We suggest, however, it has enough logic that it is worthy of further study.

Structure of Local Government

The study of local government taxation will at some time raise the question of the structure of local government. To us this means consideration of a county system.

The county system was studied in great detail in the early 1960s. We are certainly prepared to discuss it again, at any time, but the subject is of such magnitude we are choosing not to deal with it in detail at this time. If by chance the commission is considering including recommendations on this topic in its report, we most certainly want to talk to the commission about it first and possibly prepare a separate submission.

Suffice it to say the county system was rejected in the 1960s, and it most certainly will be rejected again now by our member municipalities.

What is expected of Local Governments in the future

Speaking for rural local government and the people they represent, we can say our objectives are the same as people anywhere. We want to live in harmony with our neighbours, be they rural or urban. We want to work for the good things of life that this great country can supply to us as a result of our labours. Agriculture is our most important industry in Saskatchewan. Its farmers have provided the economic lifeline that has made these good things happen. We want recognition for the part we play in providing these good things of life, and we want our fair share in return. All of which is respectfully submitted by Mr. Phelps, president of SARM.

And now, Mr. Chairman, I would refer you back to Mr. Phelps. Thank you very much.

MR. PHELPS: -- Thank you, Lorne, for your presentation of the association brief.

Mr. Chairman, we have one overriding and all-encompassing concern. There is a misconception that there is a great deal of wealth in rural Saskatchewan that should be tapped to support a wide variety of public services.

We have attempted to show you that this, in fact, is not the case. We have tried to show you where the cost of providing services in a sparsely populated rural Saskatchewan rests more heavily on the rural taxpayer than it does to provide a comparable standard of service to the urban dweller. We have indicated to you that because rural Saskatchewan is a necessary integral part of the total Saskatchewan scene, rural people must not be short-changed. The Government of Saskatchewan must recognize these facts when developing financial assistance policies for local government.

Mr. Chairman, keeping these broad principles in mind, this concludes the SARM presentation. Thank you.

MR. CLAYTON: -- Thank you very much, Mr. Phelps and Mr. Wilkinson for the presentation of that brief. We will now have an opportunity for commission members to enter into some dialogue with the official delegates of the SARM. There will be opportunity, as I mentioned earlier, for the other organizations to enter into the discussion later in our proceedings tomorrow. At this time we are limiting our discussion to the commission and the official delegation.

Now, I will ask then for commission members for questions. Mr. Langlois.

DR. LANGLOIS: -- Mr. Phelps, or Mr. Wilkinson, first of all I would like to thank you for your submission. It was very comprehensive and dealt with many of the issues that at least I'd hoped would be dealt with.

I'd like you to perhaps for a few minutes be a visionary and try to paint for me what you would see as the real mission for rural municipal government. What's the vision of rural municipal government in the next 10 years? We know that today about, I believe, 70 per cent of the revenues are spent on road maintenance, construction, bridges, transportation, related things. But is there an expanded role for municipalities, for rural municipalities in Saskatchewan, and what is it?

MR. WILKINSON: -- Mr. Langlois, I believe that in co-operation with the present government we are trying to develop policies that will enhance rural living by providing as closely as possible all the services that people in cities take for granted. In addition to that, we, along with the Department of Rural Development, hope that we can establish an atmosphere where certain types of business could have an amenity to rural development, might locate. And I think that that is really our struggle for the next 10 years is to attempt to make rural Saskatchewan a viable place in which to live and to work.

DR. LANGLOIS: -- I'd like to follow up a little bit. Do you feel that the current structure that exists in terms of rural municipal government is satisfactory to meet what you might see as being the vision of rural municipal government in the next 10 years?

MR. WILKINSON: -- Yes, Mr. Langlois I do, in a sentence, and it would take me too long to give you all of the reasons. But, in fact, I would go so far as to say that I believe that it lends itself better towards accomplishing those amenities of life that we hope will get out there to rural, than would, say, a larger county system.

DR. LANGLOIS: -- I have one more question, and it's a little bit different. It's in relation to taxing authority. And in your submission you've identified several problems related to the property tax as it applies to rural municipal government. You've talked about the loss of tax base, for example, exemptions, lack of growth and assessment. You talked about assessment issues related to equity. You identified the property tax as a mortgage on life savings, I think was one of your headings, that kind of thing. And yet, after all is said and done, you propose basically, as I understand your submission, to retain the property tax as the exclusive domain of municipal government.

I have two questions in relation to that. Why would you want to retain the authority for a tax base that has so many problems associated with it? That's the first question. And the second one: if rural municipal governments were given the exclusive right to levy the property tax, would they be prepared to forego any claim to funding from provincial sources such as revenue sharing?

MR. WILKINSON: -- Well, Mr. Langlois, we have indicated in a different part of the brief, in Appendix II I believe it is, that we are prepared to negotiate with the government the possible trade-off of revenue sharing grants in return for getting the cost of education off property, for example. At this time we're not prepared to come out and say flatly that we're prepared to give up revenue sharing, but we're certainly prepared to put it on the table for negotiation.

MR. VOLK: -- I'd just like to ask for some clarification on the brief. According to your philosophy the property tax is not an indicator of ability to pay. You also talk about a per capita, that the rural people are paying more per capita than the urban centres; you also talk about a user fee. And I'm wondering whether you could talk a little bit about your philosophy. What is your philosophy? Is it ability to pay? Is it based on per capita? Should there be a user fee? Could you expand a little bit on that.

MR. WILKINSON: -- Well, Mr. Volk, at no time have we ever considered a user fee, unless we're talking in two different concepts of user fees. Certainly in terms of children using schools we are not talking user fees; we're talking about a service to people to which all people should contribute, and everyone in our society gets a benefit from our standard of education. And that benefit they receive can best be measured by the number of dollars that they're able to take home after their day's work, if you want to put it that way. And it doesn't matter whether they're using their own educational background or that of someone else's; we really believe that people should contribute back to education in a manner in which education has benefited them. Now what was your other question?

MR. VOLK: -- Well, I don't think you've really answered the question. I wasn't asking specifically about education. In your example you used about the services required by the two homes you indicate that they should be taxed on that basis and that would be a user fee. And I'm wondering what is your philosophy? Should it be a user fee for the services that are provided because you talk about it in the example. You talk about the ability to pay in another section of your brief. You also talk on a per capita. And I'm wondering what your philosophy is not just pertaining to education but the whole philosophy of your presentation.

MR. WILKINSON: -- Most cases a per capita fee is not a good answer to supplying services to people. A user fee is not necessarily a good example, and neither is an ability to pay. But somehow you have to get a balance of services. Considering all of the various services we get in our society we have to decide what kind of tax base is best suited to the service that is being provided.

In our brief we are suggesting that services to people, that is education, hospitals and so on, would be best supplied, or the finances for those things would be best from a source that rests equitably on all our people. But we have gone on to say that certainly people own property, but not all people own property, that it is, we think, logical that the property be taxed to provide the services that that property requires from local government.

MR. BRADY: -- Thank you very much, Mr. Chairman, through you to president Charlie or anyone else. First, I wish to offer my congratulations on a well-prepared and a well-presented brief. On top of page 5 you refer to local autonomy which I think is a sacred word to all local government, and you talk a little bit about our local autonomy coming to us through legislation, and you conclude by suggesting that you could give us some examples to elaborate a little bit more on just what you are referring to. I'm wondering whether you would care to do that at this time, please?

MR. WILKINSON: -- I'm going to use schools for an example because, again, this matter of a local autonomy over the last 10 years has been a discussion between schools and SARM, and to some extent with SUMA. But not too long ago the provincial government took the right away from school trustees to set teachers' salaries. Now that was taking away from schools a very significant piece of their autonomy. It had absolutely nothing to do with where the source of revenue came from. And I suggest to you that if the government of the day were to return the right to school trustees to set teachers' salaries, it would have absolutely nothing to do with the school trustees' source of revenue. And that's an example that we've used on many occasions to indicate that autonomy is not necessarily connected with the source of revenue.

I could go on and just mention one more scenario which is maybe ridiculous, but sometimes that's the way you can put your case across. The rural municipalities could be given the exclusive right to tax property. That would sound like we have a lot of autonomy. But if we had to go to the Department of Rural Development before we could spend one nickel of it we would have no autonomy. Conversely, the government could come to the rural municipalities and say, "Here is X number of dollars. This is our contribution to your local government; do with it what you want, but we aren't giving you any more." That would be deemed to be total autonomy.

MR. ROWLATT: -- Could I pursue that question of autonomy? If a school board, as you say, going to a province-wide bargaining for wages may have altered the autonomy for school boards, let us take that one step further. Are you suggesting that a school board or any local government with no taxing authority, no capacity to independently raise revenue, could still be seen to be autonomous and make significant local decisions?

MR. CLAYTON: -- Maybe I could just ask a further question along that line too to the SARM delegation. It could be argued that part of the autonomy that a local government has depends on the ability to spend less in one community than another to reflect the priorities that may differ from one community to another. Now if the total funding were coming from the province, presumably there would be some kind of a common standard that would, in essence, provide the same level of funding to each community. How, then, without a source of local revenue, could a local priority be reflected? If a particular community said, "We are prepared to pay for, and we want a higher standard of education than another community, for example, how, under your proposal for complete provincial funding of education, would they be permitted to exercise that autonomy?

MR. PHELPS: -- One scenario, Mr. Chairman, would be that if 80 per cent of the grant from the government or the money from the government was conditional, that would be the conditional part. The unconditional grant would be if it was 20 per cent. In this case that would be your local autonomy. And if they got 20 per cent, that would be more than they have now.

MR. CLAYTON: -- I don't think we're communicating here. Are you suggesting that if a local community wanted to spend more, that the government ought to give them more money because that is their local priority?

MR. PHELPS: -- No, I think that is what you have now. Take the school units for example -- they come down to the government, to meet with the government, and they say, "This is what we need." And the government says, "Well, this is what we'll give you; go back and get the rest at the local level." I think that's what is happening now. But I do believe that if they did have separate financing and whatever if the grants were conditional or unconditional (as they always are), then the unconditional one is your local autonomy.

MR. WILKINSON: -- I think there is something we should keep in mind, and that is that the services provided by municipal governments can vary from one year to the next because they are not as essential as that of providing education. In other words, the children are here today, and they must be educated today. And we in Saskatchewan, and I think all through Canada, have a concept that all children should have the opportunity to a basic standard of education. So that being the use that government grants should provide that basic standard of education for children, no matter where in this province they live.

Now you have indicated that in some communities they may wish some different type of program. In one area they might want a French program, in another area they want bands, in another area they might want sports. We're suggesting that once a school board has prepared their budget, based on the foundation program as spelled out by the province for the whole province, that they should be given possibly 20 per cent in addition to that budget as unconditional grants which allows them then to fine-tune their school system in their own unit in whichever direction they want to go.

MR. CLAYTON: -- I'd just like to pursue this a bit further because I think it is rather important. My point was not so much whether there was some local discretion to alter the priorities within a given amount of money. My point relates to whether or not, under your proposal, you would see school boards having the right to say, "We want to spend more -- like, not only do we want to have a slightly different mix of priorities, but our community wants a higher standard, and therefore needs more money to do it, and the local residents supposedly are prepared to pay for it." How, under your scheme, would the boards then be able to bring that about? Like, I guess what I'm saying is I don't see how they would be able to, but maybe I'm missing something in your line of argument.

MR. WILKINSON: -- I would suggest that they may not be able to do it, and I would suggest that maybe they shouldn't be allowed to do it necessarily.

MR. CLAYTON: -- In other words, that is an infringement on their autonomy. There are some decisions, then, that they would not be able to make that they are now able to make?

MR. WILKINSON: -- By the very fact that this has been going on for years, the very fact that school trustees are allowed to set their mill rates and ask the local governments to protect this money has, in fact, hurt the autonomy of the local government. Now we get criticized for saying this, but this is a fact; it's been there for 30 years, because I was an R.M. councillor when it has happened, when mill rates were much lower, that the council would sit and they'd say, "Well, we'd like to put 5 mills on this year for municipal services. But the schools come along demanding a mill rate of 5 or 6 mills or something, and the local council has no control over that, and so when the local council sits down they say, "Well, you know there's just no way that we can ask the taxpayers to pay this 10 or 11 mills. The schools have taken 5 or 6; we've got to cut our mill rate back to 2 and 3." And I can indicate to you time and instance, time and again, year after year, that this has been the scenario with regards to setting mill rates in rural municipalities.

MR. CLAYTON: -- I've got time for one more question. I think we're going to spill just a little bit into our noon hour, but this is such a critical area I'm going to allow one more. I did think I saw a hand up here. Mr. Brady.

MR. BRADY: -- Thank you, Mr. Chairman. In your brief, gentlemen, you refer to tax-exempt property. Would it be your belief that there should be no tax-exempt property, or do you water it down a little bit, looking at Reverend Taylor there, that maybe churches should be exempted, or what is SARM's position on that?

MR. WILKINSON: -- I would say that we've said that the requirement to exempt property should be taken out of the various acts. But I think that the local government should be given the right to exempt property, but it should be a local discretionary matter. In my own personal opinion, and it may not be SARM's opinion because we haven't been asked that question specifically, is that yes, I think churches should be taxed for the same reason as the power corporation charges them a bill for the light they have in the church. They are two corporations providing services. That's my personal opinion. But don't you see, if you took out of legislation those requirements to exempt and left it with the cities, towns, villages and R.M.s, then they could, in their own wisdom, set their own priorities as to whether they want to accept churches or boy scouts or anyone else. That would be a local decision-making matter.

MR. CLAYTON: -- The discussion could obviously carry on at some length here, but we are in the position of facing some time limits. I want to thank SARM very much for that very comprehensive brief and for this very lively and well-thought-out discussion.

At this time I would like to call on the Saskatchewan Health Care Association to present its brief. Mr. Hewitt Helmsing will be presenting the brief.

Saskatchewan Health-Care Association -- Presentation

MR. HELMSING: -- Ministers of the Crown, members of the Legislative Assembly, Chairman and members of the commission, fellow delegates, ladies and gentlemen. The Saskatchewan Health-Care Association indeed welcomes this opportunity, through the presentation of this brief, and through participation in this conference, of establishing dialogue with a government body on an issue of long-standing concern to our membership -- local support for health care. In doing so we have listed a number of qualifications or reservations which we have lodged with the commission. It's not my intent to dwell upon that except to observe, as I'm sure others have observed, that the time frame that has been established for the preparation of this week has been somewhat limited, and this in turn has somewhat limited our ability to consult with our membership in the detail that we feel such a subject deserves.

And also because of the time restriction, we have been forced to focus on the mainstream issue of local government financing of health care, that being the hospital tax levy. Given the opportunity, we would have chosen to explore such related issues as new ways of funding capital construction in the health care field, expansion of the debenture system, and the special case of base hospitals whose patient care or patient load is generally 50 per cent rural.

But we hasten to note that the commission has a two-year mandate, a two-year life span, and we would hope most sincerely, therefore, that this brief will mark the beginning and not the end of a dialogue, and that we will have the opportunity to continue submitting material for the consideration of the commission, and to receive feedback throughout the two years of its life span.

In presenting this brief on behalf of the president and the board of directors of the Health-Care Association, what we want to do is indicate to you what the SHA (Saskatchewan Health-Care Association) is. It may not have as visible a profile as SUMA, SARM and school trustees, except, I suggest, in times of hospital slow-downs where we end up in the media because of strike situations. However, our mandate is much broader, and we would like you to have an appreciation of the association.

We'd also like to review an historical perspective, look at a central issue and interim solution and some related issues, long-term solutions, and then, as I've indicated, we hope, over the life span of the commission, to be able to provide additional representation and information on an ongoing basis.

In looking at what the Saskatchewan Health-Care Association is all about, the SHA, as it is commonly known, is a voluntary central organization of all hospitals and many other health-related agencies in the province. Since its establishment in 1918 as the Saskatchewan Hospital Association, the SHA has undergone a significant expansion in both its membership, and therefore its mandate, as more and more health care providers and sectors beyond acute care have recognized the value of a united voice. The official change of name in 1976 reflected this evolution.

Today, membership in the association is extended in three categories: direct service, associate, honorary and personal. Direct service members are those agencies providing a significant amount of hands-on service to the public. Associate members do not serve the public directly, but their major purpose is health-related. And honorary and personal membership status is awarded selectively at the discretion of the board.

Currently, the association's primary membership breaks down as follows: in the direct service category, 135 acute care hospitals, 6 extended care facilities, 95 special care homes of which 23 have full membership privileges, 30 home care districts, 19 ambulance districts, and 9 other related agencies such as the Saskatchewan Anti-Tuberculosis League; and in the category of associate, there are 12 professional, 9 technical, and 8 special interest organizations.

The Saskatchewan Health-Care Association's board of directors has been carefully structured to mirror this diversity in membership. The 14-person board includes both trustee and administrative membership and representatives from all sectors of care, from all regions of the province of Saskatchewan, and from the Catholic Health Services Conference, an historic force in health care within the province of Saskatchewan.

And just as the Saskatchewan Health-Care Association board reflects the larger health-care community, so the services of the association reflect the needs of the membership. Broadly stated, the services provided by SHA to and on behalf of its membership might be categorized as advocacy, communications, educational, and financial.

Through the distribution of this brief, the Saskatchewan Health-Care Association aims to fulfill its mandate, as outlined above, in the following ways:

1. By articulating to governments, local and provincial, the problems inherent in the existing pattern of local government financing of health care;

2. By enumerating and evaluating, from the perspective of the health care provider, a number of potential solutions;

3. By reconciling the need for some degree of local autonomy over health care with the equally valid right of Saskatchewan citizens, regardless of their district of residence, to an equitable financial support system for their health care institutions.

The overarching goal of this brief, and indeed of all SHA endeavours, is the continued improvement of health and life for the people of Saskatchewan.

Shall we look at an historical perspective? We read in the history that was prepared by Dr. W. A. Riddell where he outlines a major theme arising out of the organizational meeting of the Saskatchewan Hospital Association held on October the 8th, 1918. Quoting from that history, he notes:

> . . . the unreasonable position forced upon hospitals where they were forced to care for patients from outside the local municipality at less than the cost of the care . . . . There was a general opinion that the rural municipalities should contribute in some way to the cost of hospital buildings in the cities or neighbouring municipalities from which they receive benefit.

Obviously then, Mr. Chairman, the concern addressed in this brief is neither new nor is it transient. Rather, it is a central theme, it is a central issue prompting the foundation of the SHA some 66 years ago this coming month, and it has recurred in association discussions and resolutions in the intervening years.

We look at the minutes of the 1925 annual meeting, for example, and the SHA History reads as follows:

> The government members recognized that hospitals could not refuse to admit a patient and as a consequence the SHA had an important argument where one municipality was using the hospital facilities of another and refusing to pay for the services.

The following resolution was recorded in the annual report for 1936:

> (1) THAT the hospitals in this province deny services for non-resident indigent patients unless payment therefor is to be forthcoming from the municipality of residence within a reasonable time after the incurrence of the account;
>
> (2) THAT if through adverse circumstances the municipalities are unable to discharge their statutory duty to make due provision for the care and treatment of their indigent sick, the responsibility clearly rests on the government by which the said municipalities are created.

(3) THAT the hospitals, while regretting the necessity of doing so, take concerted action and advise all the municipalities which have failed to satisfactorily arrange for payment of their past due indebtedness, that indigent patients from such municipalities cannot be accepted after a certain date.

(4) THAT the Government, to avoid the unfortunate necessity of carrying into effect the provisions of paragraph (3) above, accept the responsibility.

And then again, as we progress through history, at the 1982 annual meeting, the membership enthusiastically debated, although they did not ultimately endorse, the following resolution which stated:

> WHEREAS the provincial government recognizes the fact that some union hospitals have a limited tax base; and
>
> WHEREAS because union hospital district mill rates depend on municipal assessments, rates for operating purposes can be substantial in these areas; and
>
> WHEREAS a cost protection feature is required to provide a degree of equity in a union hospital district; and
>
> WHEREAS a reasonable ceiling on local taxation for hospital purposes is required;
>
> THEREFORE BE IT RESOLVED THAT the Saskatchewan Health-Care Association urge the Minister of Health to provide additional financial support to hospitals with low tax bases through an equalized provincial mill rate.

And then, Mr. Chairman, at the most recent annual meeting held in November of 1983, the Assembly noted and debated and passed the following resolution:

> WHEREAS some union hospital districts have a limited tax base; and
>
> WHEREAS it occasionally becomes necessary to acquire additional funds for capital expenditure and the operation of union hospitals; and
>
> WHEREAS a cost protection feature is required to provide a degree of equity in a hospital district; and
>
> WHEREAS a number of uncommitted municipalities do not sponsor a union hospital district; and
>
> WHEREAS residents of these hospital districts are entitled to an equitable level of hospital care;

> THEREFORE BE IT RESOLVED THAT the Provincial Government be urged to assess a tax for hospital operation of these uncommitted areas which is equivalent to the provincial average of hospital tax assessment, rather than the present 2-mill average.

So to reiterate, the problems associated with local government financing of health care have been a central and an ongoing concern of the Saskatchewan Health-Care Association from its inception in 1918. The parameters of the discussion may have changed over the years -- with the advent of universal medicare, for example, individual indigence is no longer an issue, but the principle remains the same: certain municipalities -- for example, those supporting union hospital districts -- are, de facto, subsidizing their neighbours, who have unlimited access to the union hospital facilities, but who support those facilities only at the significantly lower, two-mill level, according to existing statute.

In our exemplary Canadian health care system, which is founded on publicly supported health care for all, the restriction of access cannot be considered as a solution. Therefore the answer must lie in establishing a more equitable pattern of local government financing of health care. It would seem appropriate at this point, however, to note the official responses to the above-quoted '83 resolution.

The Minister of Finance indicated that:

> . . . when the revenue tax act came into effect in the late 1960s, I understand that 2 mills fairly approximated average capital and operating mill rates in union hospital districts. Since then, the hospital revenue tax has remained fixed by statute while average union hospital district mills have increased. Both my colleague, the Hon Graham Taylor, and I are aware that the hospital revenue tax does not now accurately reflect hospital mill rates in many hospital districts.
>
> I'm sure you will agree that a change in the 2-mill tax should not be considered in the absence of thorough consultations with municipal authorities that would be subject to an increased mill rate. While there are no present plans to amend The Hospital Revenue Act, Mr. Taylor informs me that his Department has been reviewing the hospital taxation system in terms of its overall equity . . . I would like to assure your association, however, of the Government's commitment to an equitable hospital taxation system.

From the Department of Health in August of this year, the department indicated it:

> . . . is aware that the 2-mill hospital tax established under The Hospital Revenue Act for municipalities not participating in union hospital districts may be low in comparison with mill rates for hospital purposes borne by some municipalities

> organized into union hospital districts. A change to the current statutory level to the hospital revenue tax would require discussions with a number of interested municipal bodies and organizations. While there are no plans at this time to amend The Hospital Revenue Act, the overall equity of the current hospital taxation system is the subject of ongoing scrutiny.

The foregoing statements notwithstanding, the Saskatchewan Health-Care Association is hopeful that the government's establishment of the Local Government Finance Commission, and our association's invitation to participate therein, indicates a willingness on the part of government to work towards a more equitable structure of local government financing of health care.

Because of the unusually short notice accorded to the SHA for the preparation of this important document, it has been impossible to consult the membership at large to obtain an updated expression of their will further to the 1983 resolution. Therefore an ad hoc committee composed of trustees and administrators from health-care agencies of various sizes, public and religious, from around the province, was struck to give expert guidance in the preparation of this brief. The observations of this panel, and those of the SHA board of directors, are reflected in this brief.

Turning our minds to the central issue and an interim solution, the central issue of several pertaining to local government financing of health care has already been outlined. Many uncommitted municipalities make an inequitable contribution to the support of those hospitals whose facilities they use. That contribution, while it may be higher through voluntary local agreement, is fixed in The Hospital Revenue Act at a minimum level of two mills.

When established in 1966, the two-mill level struck for uncommitted districts was apparently the average rate paid by union hospital districts in the province. Because no escalator clause was included in The Hospital Revenue Act, the two-mill levy has remained constant for 18 years, while the mill rate in union hospital districts has floated free -- and even higher.

In 1980, for example, the highest recorded mill rate in a union hospital district was approximately 26.8. The provincial average mill rate among union hospital districts was approximately 6.4. These are figures that are available to us up to the year 1980, but in the four years since, the gap between uncommitted districts and the union hospital districts has most assuredly widened.

The provincial government evidently views The Hospital Revenue Act as effective legislation, having left it operational and undisturbed. But the SHA would pose the following question: if the average union hospital district mill rate was a valid standard for uncommitted districts in 1966, why is the average no longer imposed? Surely the failure to tie the hospital levy in uncommitted districts to the regularly recalculated average among union hospital districts was simply a flaw in the drafting of the legislation, an oversight that can and, we submit, must be addressed.

Therefore the Saskatchewan Health-Care Association strongly recommends the following as interim solutions to the problems inherent in the Hospital Revenue Act:

1. That the provincial average hospital tax levy among union hospital districts be acknowledged as a reasonable standard for levies against uncommitted districts;

2. That The Hospital Revenue Act be amended to require that the provincial average referred to above be recalculated on a reasonably regular basis.

Those uncommitted districts that have been taxed at the minimal level of two mills will likely and understandably be chagrined at the imposition of a higher rate of taxation in support of the hospitals they use. After all, we submit, anyone accustomed to a bargain may be reluctant to pay a full price. But the union hospital districts in this province have been subsidizing their neighbours for a long time, and this burden, we feel, must be more equitably distributed.

There are some related issues. I'd like to deal with those at this point. If the only problem associated with local government financing of health care were the definition of an acceptable level of taxation, this discussion would be promptly concluded. In fact, however, the Saskatchewan Health-Care Association believes that several other related issues also merit the consideration of the Local Government Finance Commission and, ultimately, the provincial government. Let me outline these issues for you:

1. The Catholic hospitals: Under present legislation, The Hospital Revenue Act and The Union Hospital Act, only union, for example, non-Catholic or non-religious, hospitals have the right to levy. But in some communities, for example, Humboldt, which the hon. minister represents, a Roman Catholic hospital is the sole source of acute care, and in others, for example, Moose Jaw, Prince Albert, Catholic hospitals bear a significant proportion of the total patient load. For such facilities, a locally negotiated agreement provides their only access to community tax support. This informal mechanism has proven ineffective.

   The SHA regards the traditional distinction between public and private or religious hospitals as a spurious one. Unlike the free enterprise health care system in the United States, it is doubtful that a genuinely private hospital would ever be accommodated within the Canadian health care system. The distinction, therefore, should rather be between "for-profit" and "not-for-profit" facilities.

Viewed in this light, it is difficult to understand why the Catholic hospitals in Saskatchewan have been excluded from the right to levy. They are hardly optional facilities, adjuncts to the public system of health care. Rather, they are essential components in the overall structure, providing a service to their communities as indispensable as that provided by the union hospitals.

The Saskatchewan Health-Care Association feels very strongly that Saskatchewan's not-for-profit religious hospitals should be given the same right, equally with the current union hospitals, to levy the communities they serve. The "not-for-profit" categorization would preclude the building up of cash reserves at public expense, and the structures and capital equipment of such institutions would obviously remain in place for the benefit of the communities in question. In return, these hospitals would have access, as required, to increased local funding to enable them to continue fulfilling their essential mandate.

2. With respect to other agencies, traditionally, Mr. Chairman, members of the commission, the hospital has been the primary provider of health care, which is undoubtedly why hospitals alone were given the right to levy. And indeed, hospital construction and operation still consume the lion's share of health-care funding.

But this "balance of power" among types and levels of health care is gradually shifting in response to the significant changes in our society. People are living longer, thereby creating a need for a lot more long-term-care facilities. At the same time people are beginning to resist institutionalization, thus giving rise to such programs as home care, respite care, day care, and enriched housing. Ambulance services have recently been recognized as an integral part of health care, thereby joining the long list of services under the jurisdiction of the Department of Health.

The changes outlined above provoke the following questions: should hospitals retain the exclusive right to levy for local support? Can it automatically be assumed that, in every community, the hospital provides a more worthwhile service than, say, the nursing home or the special care home? And having taken a firm stand against user fees in hospitals, why do we endorse this method of supplementary financing for home care and ambulance programs, rather than extending to them, too, the levy option?

It would be highly irresponsible to advocate the abrupt, unqualified extension of the right to levy what might eventually be referred to as a "health services tax." In the first place, many health care agencies are, in fact, only partially health oriented. Long-term care, for example, includes a large residential component. And within our current, fragmented health care system, extension of the right to levy to each autonomous agency would create administrative chaos, magnify interagency competition, and therefore have, at best, a severely limited positive result.

One alternative to the local levy is the system known as "last-dollar financing." Under such a system -- which was imposed in Alberta during the oil boom, for example -- the government revokes hospitals' right to levy their municipalities and picks up from the provincial coffers the total cost of health care to the "last dollar."

During the SHA's orientation meeting with the Local Government Finance Commission, a commission member asked whether hospitals care where their funding comes from. The answer was, and must be, a resounding yes. The ability to levy serves as a safety valve for hospitals faced with costs rising faster than their provincial funding. It accommodates local initiative in extending programs beyond the minimum standards that might be set by a provincial government. And the financial commitment required by the hospital tax levy can strengthen the bond between the community and hospital, enhancing the functioning of both.

Last-dollar financing cannot be said to have proven successful in Alberta. Hospitals there have accumulated huge deficits that the provincial government is reluctant to pick up, and speculation concerning the reintroduction of the local levy is rampant. Here in Saskatchewan, the Department of Health has traditionally viewed its role as that of funding a "reasonable" level of services, with any embellishments left to local discretion. The Saskatchewan Health-Care Association has received no indication that the government intends to adopt last-dollar financing, a position that hospitals surely would endorse.

The irresistible conclusions from the foregoing are these: (a) hospitals must retain their level for local support; and (b) eventually, this right must be extended to sectors other than acute care. The means to accomplishing the revolutionary change implied in (b) are discussed in the next section which I wish to leave with you on the long-term solutions.

3. Before that, though, the third area, the basis for taxation. Currently, local taxation is based on land assessment. The SHA has no expertise regarding methods of taxation, but certainly logic dictates that there is no clear relationship between land and health.

The census figures for each taxation district might be a more logical basis for tax assessment in support of health care and other "people services" such as education. On the other hand, a poll tax once existed in Saskatchewan and has since been abolished, presumably for sound reasons. Perhaps, then, local taxation, like provincial and federal, could be tied to income. There may still be other, better bases for local tax assessment of which the SHA is not aware To reiterate: we are not the experts in this area, but we would very strongly recommend the question be addressed by those who are.

In the area of long-term solutions -- in our brief we indicate that if every suggestion listed to this point were implemented, the result, most assuredly, would be a more equitable, more logical system of local government financing of health care. And indeed the Saskatchewan Health-Care Association is hopeful that the government will deem it appropriate to pursue these recommendations, as equity and logic are admirable goals.

But it must be acknowledged at the same time that all the foregoing represent the quick-fix patchwork repairs to a traditional system of local support for health care. The SHA has a new vision, one that will require gradual but sweeping change, the major components of which are outlined below:

1. We refer to coterminous boundaries with some measure of caution and hazard because that word has not always been appreciated in its fullest meaning; but for lack of some other word, we have used that description. In the health-care field alone, the residents of Saskatchewan face a confusing tangle of overlapping boundaries: hospital, nursing home, home care, ambulance, and public health districts, to name just a few. Add to these the non-related boundaries associated with education, municipal government, social services, and the tangle becomes a civic nightmare.

   Overlapping boundaries confuse and harass the elector as he or she may be subject to taxation from a number of jurisdictions on a service-by-service basis. In turn, when the elector wishes to access those services, there may well be no convenient, central source of information; thus people in need of assistance are faced with the added frustration of being shuffled from office to office, from building to building, and even from one community to another.

   Overlapping boundaries also hamper local administration. As I have outlined, split jurisdiction -- union and uncommitted hospital districts -- complicates hospital financing. Likewise, the operation of an educational program that extends over two or more local government districts entails complicated negotiations that are not required in a unified district.

   And finally, overlapping boundaries undermine the accountability of local government. The principle behind the establishment of this tertiary level of government, which exists at the pleasure of the province, is to bring government closer to the people.

but overlapping boundaries make it difficult for local governments to give an accurate accounting of their debt and tax loads. And the meaning of the local vote of an elector, who may actually be served by several jurisdictions, is also called into question.

The Saskatchewan Health-Care Association therefore recommends that the government of Saskatchewan, in consultation with local governments, begin serious consideration of the creation of coterminous boundaries throughout the province. Obviously, this is a vast and lengthy challenge, but the forces of logic, efficiency, and accountability demand that the challenge be accepted.

2. A New Definition for Hospital Districts: As I have detailed, the SHA recommends that, through an amendment to The Hospital Revenue Act, all uncommitted districts be required to pay a hospital tax assessment equal to the provincial average of union hospital district assessments. This recommendation, while it would bring about greater equity in tax load, must be viewed as only an interim solution.

   Ultimately, the association recommends that the Minister of Health require all uncommitted districts to organize in the formal support of a hospital, either by joining an existing union hospital district or by forming a new one.

   Such a change may well require more time and public relations efforts than the simple amending of The Hospital Revenue Act. But while this may seem a more radical recommendation, in fact it holds greater promise as a long-term solution, not just an improvement to the problem.

   Tying the hospital tax levy in uncommitted districts to a provincial average, as discussed, would redistribute the financial load more equitably, but requiring such districts to become, in effect, union hospital districts would give the residents of those districts greater control over their own destiny. By participating in local elections, ratepayers in every district in the province would then have the power to determine the level of local hospital services they were willing to support.

3. District-Wide Planning for Health Care: In our brief, the Saskatchewan Health-Care Association has affirmed the right of the union hospitals to levy for local support, and on a more equitable basis than they currently enjoy. The association has also urged that this right be extended, immediately, to not-for-profit religious hospitals.

As outlined earlier, however, the dynamics within health care are changing to reflect changes in the population. Sectors other than acute care are gaining in importance. Eventually, therefore, the hospital revenue tax will have to be rechristened -- "health services tax?" -- and access to local support will likewise have to be shared by hospitals with their fellow providers of health care.

For reasons cited earlier, we cannot support the extension of the right to levy to other health-care providers on an agency-by-agency basis. Rather, what we envision, at some unspecified future date, is the establishment, subsequent to the measures discussed in 1 and 2 above, of district health planning bodies. It is these committees, then, that would receive the funds obtained through the "health services tax levy" and distribute them according to the unique health-care needs of their respective districts.

The SHA has been advocating the "continuum of care" approach for several years now. We recognize that, for a number of reasons, many more years will have to pass before the concept becomes a reality. But we have seen our membership become more aware and appreciative of its own diversity. We have successfully encouraged historically isolated agencies to communicate and to begin planning together. And we interpret recent government moves to encourage the establishment of district co-ordinating committees and integrated facilities as a reflection of that same spirit. In other words, we believe that progress toward this ultimate goal is already under way.

As reflected in the title of the previous section, several of the objectives expressed in this brief are long-term indeed, but the Saskatchewan Health-Care Association affirms them all as vital to the continued improvement of health care in this province, and we are confident that they can and will be attained.

Again, we commend the government for establishing the Local Government Finance Commission, a bold new forum for debating important issues. We thank the commission for seeking dialogue with our association. We are pleased to submit this document for the consideration of the commissioners and look forward to further communication. Thank you.

MR. CLAYTON: -- Thank you, Mr. Helmsing. The commission would certainly like to reassure the Saskatchewan Health-Care Association that there will indeed be other opportunities throughout the months ahead for further dialogue. We actively pursue that dialogue with you. You mentioned the shortness of time available to you for the preparation of your brief. We appreciate that; however, I don't think you need to apologize for the quality of the brief. I think it was very well put together, and we thank you for it.

For those that are maybe a little anxious about the clock, we do feel that with the eating arrangements we have that it ought to be possible to finish our meal at noon in approximately a half an hour, so we're going to carry on for just a few minutes anyway for some questions. And again, if things go according to schedule, we ought to have just a little bit of time to spare in the late afternoon, and we may want to return to the Saskatchewan Health-Care Association at that time with further questions. Mrs. O'Shaughnessy.

MRS. O'SHAUGHNESSY: -- Yes. Thank you again for your brief. And looking at the increased health care services from originally the acute care hospitals through to home cares and special services, ambulance service, I think we're now looking at chiropodists. Do you envisage the youth services being funded totally by provincial governments, or are we in fact looking at mechanisms and changes that would strengthen local governments to make these decisions where they feel these services are what they want at their own level?

MR. HELMSING: -- Mrs. O'Shaughnessy, in answer to your question, I perhaps could best refer you to page 20 of our brief where we discuss the district-wide planning for health care. I think that it is important that we look down the road to the establishment of district-wide planning councils that can evaluate what their particular needs in their district may well be. Some of these programs may be funded at reasonable levels by the Department of Health, but there may also be the desire to embellish or to further extend or further enhance the services that are being made available, and they may wish then to have the option at the local level to solicit additional funding to enhance or to enrich the programs which may be in place as a basic part of our universality of the program.

MR. CLAYTON: -- Mr. McCallion, I believe you wanted to make a point, did you? Mr. Rowlatt.

MR. ROWLATT: -- Could we just pursue this again a little further. The issue of local autonomy is central to our concerns, obviously. You're expressing the very great need for local autonomy to make the provision of health care, in a broader definition than we have now with the hospitals, more sensitive to the needs of local people. And I think we all see to be the growing needs of health care, diverse kinds of health care in this province.

But you have left us -- you have been a little bit shy on how you want to raise that tax money. You've essentially suggested that the property tax may indeed not be an appropriate base to raise money for that kind of health care, and you have pleaded a little bit innocent in knowing how to raise taxes. I'm not quite sure we can let you go that way.

MR. McCALLION: -- Just to respond to that, Mr. Rowlatt, we indicated that as an interim solution that we would go with the average tax in the province, and we also suggested that as a possible solution that some form of an individual tax or per capita tax be identified. As we identified earlier in the brief, the relationship between land and health services -- there doesn't seem to be any connection. And it would be our presentation, or our position, that we would suggest we look at a per capita tax to be applied.

MR. ROWLATT: -- Again, per capita taxes, head taxes, that kind of thing, don't meet a lot of the standards of good taxation, I guess. Property taxes, you're concerned about. Is there any way, through broader health planning councils as you discussed, a broader connection of all these services, health services? There could be local autonomy in decision making in allocating of the monies among the various priorities, without local taxation, where the autonomy then would derive from the allocation of resources and not from the taxing authority. Is autonomy feasible in that way?

MR. McCALLION: -- On behalf of the membership, I don't think that they would be prepared to look at it strictly from that point of view because there are local issues in the various regions within the province that the method of taxation that you're addressing would not address those specific issues.

MR. CLAYTON: -- Dr. Langlois has a question, and then Mr. Thiessen.

DR. LANGLOIS: -- I'd like to follow up on basically the same area, the area of autonomy and decision making. You basically offered three reasons for local taxation or the right to levy. You identified the safety valve as being one, the local initiative, and also the strengthening of the bond between the hospital and the community. I wonder if you could give me some examples of what you would consider local initiatives that rely on the right to levy and, also, discuss a little bit the issue of bonding. Is the bonding a little different between the Catholic hospitals and their communities as compared to district hospitals and their communities? One currently has the right to levy. The other one does not.

MR. McCALLION: -- I'll let Sister answer the question with respect to the Catholic hospitals, but with respect to the initiatives, local initiatives that may be derived, there may be within a particular institution or facility they wish to develop certain types of programs, physical therapy, occupational therapy, out-patient basis. By virtue of utilizing the levy, they may be able to buy equipment to initiate that kind of a program that may, or would, be over and above what is generally expected throughout the province.

MR. CLAYTON: -- Sister Roddy, would you like to follow up on the other item?

SISTER RODDY: -- Yes, I'll try. I would not be prepared to say that there was a lack of bonding between a community and a Catholic hospital, or lesser than there was between one that's publicly funded. I think maybe the Catholic hospitals are just as great at looking at the local needs and trying to sort those needs. I would see nothing different there. But where it comes into play on some of the things that Bernie has just mentioned is that when there isn't sufficient funding, or there is something beyond what is being given by government, that is not being picked up by the local community, or the people that are using that service. If there's no way of levying, that has basically been going back on the religious orders, and I'm not sure that their responsibility is to serve all of the health needs over and above for that community. They must have some responsibility for their own health.

MR. CLAYTON: -- Dr. Langlois, did you want to follow up?

DR. LANGLOIS: -- I'd like to pursue another question if I could, and it's on the issue of coterminous boundaries. I'd like some clarification on your brief. Is it a proposal to have coterminous boundaries for all health-related functions, home care, nursing homes, and so on, or does your proposal extend beyond that and suggest coterminous boundaries for all services, municipal, school, library, as well as the health-related agencies?

SISTER RODDY: -- I think that we're certainly speaking for all health, and it would, I think, from a local point of view, that it could extend further, but definitely it makes it very difficult when they are not coterminous presently.

MR. CLAYTON: -- One last question. Mr. Thiessen, we've left you till the last.

MR. THIESSEN: -- Well, really, Mr. Chairman, thanks for the minute that you've given me. I have to tell everyone present that maybe you saw me writing a few copious notes, and I've got to quit that because Herve over there just read my note and asked my question. So that's really kind of unfair, but I'll go on to ask another one because I wanted to talk about that chapter or paragraph on page 18.

I was just wondering, and what I'd like you to talk about for just a minute that I would be very interested in is that when you're speaking about areas that are not unionized or may be paid the minimum two-mill kind of level, because of the brief, and I imagine we're coming back to it again because of the SARM brief -- as you escalate the kind of input that you're asking to be put on, let's say from the provincial government, you know, to get us a happy medium in regard to what other people are paying, because we happen to live in an area that is under the two-mill levy, could you just dwell a minute on how you see the local autonomy being enhanced with the increased support of property taxes and the way those people are put on hospital boards?

MR. McCALLION: -- I would suggest that the current board or the current district that is not paying above the two mills may feel it an imposition of their local autonomy, but certainly, from the point of view of the other districts that are subsidizing through provision of services to that district, they are paying a higher levy and there is an imposition on their local autonomy as well. And what we're suggesting is that if everyone pays a minimum levy, that that would equalize the distribution of the cost of that service, and it would more appropriately distribute the equity of the service provided or the cost of the service provided. People coming from the area that have a two-mill levy are currently going to another facility receiving service. The other district is paying or subsidizing the payment for that service.

MR. CLAYTON: -- Thank you, Mr. McCallion. There is no logical end point to the discussion here. I think we could carry on for some further time, but we now have to pay attention to the noon meal. It will be served in room 218 which is to your left as you go out the doors in the front of us, and we're quite confident that we ought to be able to finish that and be back here right at 1 o'clock. Thank you very much. We stand adjourned until then.

MR. CLAYTON: -- Ladies and gentlemen, could we reconvene now please.

Ladies and gentlemen, we have had what I think has been a very productive morning, and we wish to press on with this afternoon's proceedings as expeditiously as possible. It is my pleasure now to call upon the Saskatchewan School Trustees Association to present its brief. The brief will be presented by the President, Mr. Bob Mann. Mr. Mann.

Saskatchewan School Trustees Association -- Presentation

MR. BOB MANN, President:

Mr. Chairman, members of the local government finance committee, hon. members, delegates, and guests:

Our association is pleased to have the opportunity to present to you our views on the funding of local governments. As you may expect, our submission deals primarily with the funding of education, but this does not preclude our interest in the funding of all local governments.

In addition to this written submission, members of our association are prepared to answer questions or elaborate on items as required or requested.

Our brief deals with the following major areas:

1. Principles of Taxation
2. The Costs of Local Government
3. The Collection and Distribution of Funds

4. Educational Revenues
5. SSTA Position and Recommendations.

INTRODUCTION

Local governments are funded almost exclusively by revenues raised by property taxes and by transfer payments from the provincial government. The money for transfer of payments is generated largely by personal and corporate income taxes and the provincial sales tax. Therefore, local government revenues are closely tied to income tax, to sales tax, and the property tax. The relative support of each of these three taxes for any one of the major local governments has been a matter of debate for many years, and we consider it timely that this commission was established to deal with the whole issue of local government finances.

Undoubtedly, all local governments feel that they are rendering a valuable service to the public, and that funds should be made available to provide for a continuation of these services. If, indeed, all services currently provided are necessary, and if, indeed, the moneys that can be raised through income, sales, and property taxes are limited, the issue becomes one of distribution of the tax dollar. Which local government is best served by which tax revenue? Are certain tax revenues better suited for certain local governments? If we accept that total tax revenues are limited and finite, we have but to deal with the distribution of the funds generated through taxes.

PRINCIPLES OF TAXATION

Most of the literature on taxation makes reference to three major principles of taxation. These principles are tax equity, economic neutrality, and efficiency.

Tax Equity

A tax is said to be equitable if it has the following characteristics:

(a) All persons under similar circumstances are treated equally.
(b) The tax takes into account the taxpayers' ability to pay. Ability to pay may be measured in money earned, money spent, or assets owned.
(c) The tax is progressive or at least proportional. The rate of increase in taxation should exceed or at least keep up to the rate of increase in ability to pay.

Economic Neutrality

Economic neutrality refers to the lack of effect a tax has on the economic behaviour of a taxpayer. Does the tax alter the taxpayer's spending habits or attitudes towards work? An economically neutral tax does not alter a taxpayer's investment plans, nor does it cause him to shift his spending priorities.

Efficiency

A tax is said to be efficient if the costs of collection and compliance are minimal. A tax which is difficult to enforce, and which can easily be evaded, is neither efficient nor effective.

An examination of the three major taxes -- income tax, sales tax, and the property tax -- in light of the three principles just enunciated, reveals inadequacies in all of them. One form of taxation may be given a high rating on one or two of the principles, but it may be most inadequate in another. It should not surprise anyone that there is no "perfect" tax. Every one of the three taxes mentioned has both commendable features and undesirable features, and our association, therefore, believes that continued use of the three forms of taxation best serves the needs of our education system.

The current method of funding education in Saskatchewan uses the property tax for a board's local input, and the income tax and the sales tax for most of the transfer payments from the provincial government. The relative contribution by each of the three forms of taxation is debatable and will be addressed later in the presentation.

THE COSTS OF LOCAL GOVERNMENT

Preliminary estimates indicate that school boards will spend in excess of $675 million in 1984. Table 1 in the brief details school board operating expenditures by category for the years 1971 to 1982.

(See TABLE 1)

This amount of $675 million represents more than the combined spending by rural municipalities and urban municipalities. As the demand for services from local governments continue to increase, the costs of local government will also increase. Heavy expenditures in these areas will necessitate a review of the sources of the revenues for local governments and an examination of the limits that the various sources can be taxed.

Operating Expenditures

During the last 10 years urban municipalities have had the greatest percentage increase in operating expenditures, followed by school boards, with rural municipalities showing the smallest percentage increase. Undoubtedly the increase in expenditures is related to the services offered. It is often suggested, however, that school board expenditures have increased more rapidly than those of other local governments. This erroneous observation can be attributed to the relative increase in mill rates. The mill rates for education have indeed risen more rapidly than for municipal services, but mill rates tell only part of the story.

Mill Rate Increases

During the period 1976 to 1982, mill rates for education increased by almost 80 percent, while mill rate increases in rural municipalities and urban municipalities were 68 per cent and 49 per cent respectively. However, it is important to note that during that same period transfer payments or grants from the provincial government to school boards were increased by only 52 per cent, while grants to rural municipalities and urban municipalities were increased by 59 per cent and 119 per cent respectively.

The dramatic increase in transfer payments to urban municipalities resulted in very modest increases in their mill rates, while a very modest increase in grants to school boards resulted in a significant increase in the mill rates for education. Table 2 details mill rate increases and grant increases for the urban municipalities, rural municipalities, and the school divisions for the period 1976 to 1982.

(See TABLE 2)

Our association has continually asked for an increase in provincial funding for education so that the mill rates for education could be kept at an acceptable level.

Services Rendered

Our association makes no apology for the educational expenditures made by our boards. As we have indicated, the percentage increases in expenditures are somewhat higher than those of rural municipalities, but they are none the less lower than those of urban municipalities. Also, it is significant to note that many additional services have been added to the traditional services provided by school boards. Dental and driver education services are but two of the many services that have been added to the board's responsibilities in recent years.

Per-pupil Costs

We are confident that our boards are providing a good educational program for the students of this province, and we are also confident that the people of Saskatchewan are prepared to pay for the services they consider important for their children.

The latest Statistics Canada figures show that Saskatchewan spends less per pupil enrolled than all other Canadian provinces, with the exception of the Atlantic provinces. It is our contention that in Saskatchewan we have a first class educational system at a very modest price.

Table 3 shows per-pupil expenditures for the public elementary and secondary education for all Canadian provinces, the Yukon, the North West Territories, and for Canada for the period 1976 to 1981 as reported by Statistics Canada. And may I just ask you to look at the difference between the average Canadian per-pupil cost and that of Saskatchewan.

(See TABLE 3)

THE COLLECTION AND DISTRIBUTION OF FUNDS

In the collection of moneys for local governments and in the distribution of moneys to local governments, several factors need special attention:

(1) societal goals
(2) the need for a common and equitable tax base
(3) administration costs
(4) distribution formula

Societal Goals

Any discussion of local government financing must deal with the values or goals of society. In western societies the three major goals are equity, freedom of choice, and efficiency.

In the financing of local governments we are very concerned about fair treatment for all; we are concerned about the efficiency of the financial operation in place, but we are also concerned about the individual's freedom of choice. Often these three goals are not fully compatible.

A highly centralized taxation structure, for example, will likely be more equitable than a decentralized structure, but it does little for freedom of choice, and it may not be the most efficient structure.

On the other hand, a totally decentralized structure gives ample recognition of the goal of freedom of choice, but it cannot achieve equity to the same degree as a centralized structure. A recognition that these three goals are often in conflict can assist governments in devising a structure which will embody the three goals in varying degrees. Our society is not ready to sacrifice any one of these goals for the complete attainment of the others. Therefore, any collection and distribution system of money must weigh the relative importance of the goals of the society.

Equitable Tax Base

Our association recognizes that there are more significant differences between urban Saskatchewan and rural Saskatchewan. However, we also believe that urban and rural Saskatchewan have much in common. We have but one education system in Saskatchewan, and we believe that we should have but one funding system for education in Saskatchewan.

At present our grant formula applies to all school divisions in the province and with minor variations, takes into account the same variables for all systems. Any restructuring of local government financing should emphasize the common elements in rural and urban Saskatchewan and minimize the differences.

Administration Costs

It is in the interest of government and taxpayers that administration costs for the collection and distribution of funds be kept to a minimum. It is of particular interest to the taxpayer that the administrative procedures be relatively simple and that taxation offices be readily accessible to those who pay taxes. Our association would like to comment on two matters related to this issue.

1. The collection of all property taxes has for many years been the responsibility of municipalities. When collected, the education portion of the property tax is turned over to school boards. Municipalities have voiced their concern about this practice. They feel that it is an injustice to have municipalities responsible for the collection of a tax that is levied and used by school boards. The collection of a tax is always an unpleasant task, and municipalities feel that it is even more unpleasant when the education portion of the tax is increasing at a more rapid rate than that of the municipality. Our association and the municipalities have discussed this matter on several occasions and have reviewed several options.

   One option would be to have school boards collect the education portion of the property tax. However, both the municipalities and school boards agree that the costs of two collecting agencies are not warranted in a province with a sparse population like Saskatchewan.

   Another option would be to have school boards collect all the property taxes and reimburse municipalities for their portion of the taxes in a manner similar to that now used by the municipalities in turning the collected money over to school boards. Our association is prepared to accept this responsibility, but we recognize the problems inherent in such a plan. In rural Saskatchewan most school divisions are considerably larger than rural municipalities, and such an arrangement would inconvenience many taxpayers who would be required to travel greater distances to get to the taxation office. We are prepared to explore this option with municipalities, but we do have reservations about the desirability of such an arrangement for the taxpayers.

2. Tax rebates have become an integral part of our tax structure. The Property Improvement Grant and the Home Quarter Tax Assistance Program are but two examples of the tax

rebates intended to grant tax relief to selected groups of taxpayers. Our association is not opposed to rebate programs, but we have reservations about the rebate procedures.

A tax adjustment at the source would certainly be more economical than actual rebates mailed to the taxpayer after he/she has paid his/her taxes in full. In our opinion, the matter of tax rebates merits intensive study as a possible solution to some of the special problems facing specific groups of taxpayers. Our association would be prepared to explore with the commission and with government the responsibility of significantly increasing rebates, employing a rebate formula similar to the one currently being used.

Increasing rebates for principal residence, farmers, and small businesses could give the necessary property tax relief to selected groups of taxpayers, while maintaining the desirable characteristics of the property tax as a source of revenue for education with respect to local autonomy, flexibility, predictability, and accountability. Such an increased emphasis on tax rebates would not be in contradiction with our reservations concerning the rebate procedure now being used. We refer you to the supplementary tables in this submission for the statistical information on rebates.

Distribution Formulae

The Saskatchewan School Trustees Association feels strongly that money distributed to local governments by way of transfer payments or grants should be distributed as objectively as possible and preferably through a distribution formula. Grants to school boards are distributed through the use of a foundation grant formula which uses a series of predetermined constants to calculate the grant entitlement for each jurisdiction. This approach keeps subjective negotiations to a minimum and tends to treat all boards equally.

Our understanding of the municipal formulas would lead us to believe that they provide for more negotiation between the two levels of government and hence provide for more conditional grants than the educational formula. An equitable formula distribution of grants minimizes the discrepancies in local input by a reduction in the range of mill rates throughout the province.

Local decision-making will inevitably result in different mill rates, but the range can be kept at an acceptable level if the grant constants are realistic and if they are strictly adhered to. The range in rates for rural municipal services is well in excess of 100 mills. A range of that magnitude could be the result of many factors, but a distribution formula that provides for negotiated grants will tend to increase the range in local input and will also increase the possibility for more conditional grants.

We see a close relationship between a formula distribution of grants and unconditional grants, and we strongly support both concepts.

EDUCATION REVENUES

Which method of taxation best accommodates the needs of education? Before we try to answer this question we would like to indicate the needs of education as we see them.

Needs of Education

1. First and foremost we feel it is imperative that boards be able to make educational decisions at the local level. Local decision-making, local autonomy, and local involvement are all part of the raison d'être for boards. Local decision-making refers to more than program decisions. It refers to financial decisions which permit program decisions and which ensure the carrying out of program decisions. We see money raised by the board -- the property tax -- as the only revenue which will meet the need of boards.

2. Flexibility in programming is another need for boards of education. The decision to add or delete programs in any given year or to change programs from one school to another has financial implications, and again boards need access to a local source of revenue such as the property tax to make these decisions.

3. Accountability for efficiency is another need for our education. Education will be the beneficiary if those responsible for education are held accountable to those who pay the costs for education. Again, the property tax collected at the local level and spent at the local level offers a degree of accountability which no other tax can provide. It is difficult for the local taxpayer to effectively voice his concerns to senior government officials in a distant city, but it is relatively easy to contact the local board member who has to accept responsibility for the decisions he/she has made.

4. It is desirable that revenues for education be predictable. The property tax base is relatively stable, and resources from this source can be readily calculated for different mill rates. Program planning is greatly assisted by a reasonably accurate indication of education revenues that will be available.

The Property Tax

The Saskatchewan School Trustees Association feels that the needs just mentioned can best be met by the property tax. There are, of course, other needs that can be met by other forms of taxation. We therefore submit that the combined use of the property tax, income tax, and the sales tax, will serve education better than the use of but one or two forms of taxation.

The property tax has often been maligned as a form of taxation and as a source of revenue for education. As a form of taxation we believe it has, like all forms of taxation, strengths and weaknesses. It has, however, certain characteristics which no other form of taxation has, which makes it a highly desirable source of revenue for education.

Our association's view that education should be funded by local input (the property tax) and transfer of payments from the provincial government (grants) has been supported by trustees for many years. In 1965 the Saskatchewan School Trustees Association made the following observation in its brief to the Provincial-Municipal Conference dealing with resources and priorities of local government in Saskatchewan, and may I quote:

> In view of the nature of the benefits derived, it is reasonable that communities assume a portion of the financial burden through local taxation, but the great benefits to society in general and the mobility of our population have given education a provincial and national significance. For these reasons, local communities should not be expected to assume the major financial responsibility for education programs. Means must be found to lighten this burden of local taxation.

However, we argue that some degree of local taxation must be maintained. We submit that there is a real need for maintaining the administration of the school system at the local level, and some form of local taxation is desirable to ensure that administrators discharge their responsibilities efficiently.

Several matters related to school boards' insistence that the property tax for education be retained, however, are worthy of further consideration. School boards recognize that the following questions need to be addressed:

(1) How much money can indeed be raised through property taxes?

(2) What portion of the money raised by property taxes do school boards require to meet the boards' needs as outlined earlier in this paper?

(3) Should municipal councils not have the right to property tax revenues if the form of taxation meets some of their needs as well?

There are those who maintain that we have reached the limit in property taxation. They suggest that any further increases in property taxes will have disastrous financial effects on property owners. We would hope that the commission would suggest an answer to this question after its study is completed.

Almost one-half of the money for education is now being raised through property taxes. Our association feels that this represents an unduly high and local input for education. The literature available on this subject suggests that local input in a range of 20 to 25 per cent would be sufficient to meet the needs of boards outlined earlier in this paper. Our association has therefore requested the Department of Education to assume responsibility through transfer of payments for 75 to 80 per cent of the cost of education. If for 1984 the department did indeed pick up 75 per cent of the education costs, the average mill rate for education in Saskatchewan would be approximately one-half of the current average of 115 mills.

We feel that such an arrangement would provide relief for the property owners and at the same time allow municipalities more flexibility in setting their mill rates. We must recognize, of course, that tax relief to the property owner will result in increased taxation in other areas. The costs of education would not be reduced, and the government would of necessity have to increase taxes at some other level to raise the revenues lost through reduced revenues from the property tax.

Those who would remove education from the property tax have suggested several options for funding education. The three most commonly proposed options are the following:

(1) Complete provincial funding of education.

(2) The establishment of a basic income tax for education.

(3) The acceptance of the user-pay principle for education.

We find these options unacceptable for a variety of reasons.

1. Operating Funds

A completely centralized system of funding education has been tried in some Canadian provinces and in the United States. We believe that centralized funding results in centralized control, and we cannot believe that centralized control of education is in the best interests of the students of our province. We believe in local autonomy and in local decision-making as essential components of a good educational system. We do not believe that local autonomy can be legislated.

We refer you to the provinces of New Brunswick and Quebec where education has become a highly centralized enterprise. In both provinces the financing of education became a function of the provincial government first, to be followed by the centralization of program policies and decision-making. No, we still believe that he who pays the piper calls the tune.

Capital Funding

The funding of capital projects in education differs significantly from the funding of operating costs. Table 15 in the supplementary tables shows the changes in the sources of revenue for capital expenditures for the period 1975 to 1982. The current capital funding formula calls for a relatively small local input by the division board while the department through direct capital grants and the recognition of debt retirement in the operation grants formula assumes, on the average, approximately 90 per cent of the costs of capital projects in school divisions. It should be noted that this high provincial input for capital projects has resulted in greater provincial decision-making related to capital projects. School boards, however, are reasonably satisfied with the present financial formula for capital projects even though it restricts local autonomy and decision-making.

Capital expenditures do not affect all boards in the same way. Some divisions, particularly city divisions or divisions adjacent to cities. generally experience a much greater demand for capital projects than rural divisions where declining enrolments have kept the need for capital projects to a minimum. Changes in population, with subsequent changes in the demand for capital projects, would result in severe financial pressures on some boards and produce serious inequities if capital projects required a large local input. In addition to the small down payment required of boards for capital projects, the present capital funding formula protects boards who may need to undertake major capital projects in any one year by limiting the local input by the equivalent of four mills on the equalized assessment for that division.

The impact of geography on capital needs and demands suggests that greater provincial responsibility for such demands is reasonable, and with this greater provincial financial responsibility we must be prepared to accept greater provincial decision-making in the allocation of these funds. It is our recommendation that there be no major changes in the funding for capital projects for school divisions.

2. For many years the Saskatchewan Association of Rural Municipalities has been promoting a basic income tax plan to fund education. The plan, referred to by several different names, has been tried in several American states and was found wanting. Theoretically, the plan could be a partial substitute for the property tax, in that it would generate money locally. However, the administrative complexities of such a system make it prohibitive.

It may be interesting to note that, with the exception of Quebec, no province collects its own income tax. The income tax structure is basically a federal structure with the provinces receiving but a percentage of the calculated federal tax. It is our understanding that provincial governments are very reluctant to assume responsibility for the administration of income tax revenues because of the administrative problems associated with such a tax. It is our belief that a basic income tax plan would make undue demands on the administrative capabilities of local government. If the problems are too great for provincial governments, it would follow that they would certainly be too great for local governments.

The concept of a basic income tax raises several additional questions. How would taxes be assessed for non-residents whose children may be attending school in one community but who are working in another community? Would the tax be levied at the flat rate, or would it simply become a surcharge on either the provincial or federal tax payable? Would the costs of collecting such a tax become prohibitive in the view of the administrative structure that would be required. Could there not be a serious discrepancy between the amounts such a tax would generate in rural and urban systems.

All in all, we feel that the basic income tax plan is still an income tax plan, and as we suggested earlier in this submission, the income tax does not meet those needs of school boards currently being met by the property tax.

3. The user-pay principle is accepted in many service areas. However, for a variety of reasons our association strongly opposes the use of this principle for funding education. In a paper entitled Options Respecting Local Financing of Education, University of Saskatchewan professor Dr. Dennis Dibski makes the following observation about the user-pay principle in education, and I quote:

> School boards could implement a user tax by charging tuition fees. This system of taxation has some merit from the benefit principle, or user-pays point of view, but completely ignores the fact that persons who do not have children in school also benefit from education. The user tax would quickly be dismissed by the public as a completely inequitable tax.

SSTA POSITION AND RECOMMENDATIONS

In our submission we have both directly and indirectly indicated our association's position on several financial issues. We have also made suggestions and recommendations which would, in our opinion, improve the operation of local governments. By way of a summary, we would like to highlight the following:

1. The amount of money to be raised by each of the various forms of taxation is of necessity a political decision. Perhaps a shift in the relative amount of money generated by each of the three major forms of taxation is necessary. A considerable

shift has already been noted in recent years. All levels of government have placed a greater emphasis on income taxes and a lesser emphasis on the property tax. In Saskatchewan, however, property owners continue to feel that the property tax generates more than its fair share of government revenues. Hopefully, this commission will make some recommendations concerning the relative use of the three forms of taxation.

2. We recognize the inadequacy of all forms of taxation. However, we believe that it would be in the interests of the citizens of Saskatchewan to seek ways and means of improving our tax structure rather than simply dismissing any part of it outright. The possibility of evading taxes and the inequity of taxes are two major problems with most taxes. We would support any action taken by the different levels of government to solve these problems.

3. Our faith in the property tax as a source of revenue for education is somewhat tempered by our reservations about the equity of property assessments. We recognize that the problem of assessments is a difficult one, and we also recognize the need of assessment specialists with a special kind of expertise. We are confident that the problem can be minimized by a positive and deliberate effort on the part of provincial governments to improve out assessment procedures and practices.

4. Equity in taxation is best achieved by a close adherence to the ability-to-pay principle. In education, assessment is used as the indicator of ability to pay. We would recommend that the commission address the matter of assessment as it is used in education to equalize local input and as an indicator of ability to pay. Are assessments throughout the province indeed comparable, and do assessments serve as an equalizer in determining ability to pay? Are there any other indicators of ability to pay that might be used?

5. The hopes and aspirations of society need to be given due consideration in any discussion of local government financing. That delicate balance between equity and freedom of choice needs to be maintained. Efficiency, of course, cannot be disregarded when looking for this balance between equity and freedom of choice.

6. Property tax rebate payments have been made to Saskatchewan residents since 1966. We recognize and appreciate that such a rebate program has a heavy political component. However, the potential merits of such a program in dealing with the perennial property tax issue may well be worth a few political risks. It is estimated that the various rebate programs will cost about $95 million in 1984-85. If additional funds from the consolidated fund were directed into the rebate programs, the property tax could be reduced to an acceptable level. May

we suggest that the commission give this matter serious consideration as it reviews the financing of local governments.

7. We are in accord with the general principles that underlie the funding practices for capital projects for school divisions. The great variations in the needs for capital construction in different divisions make greater provincial involvement imperative. In capital funding, boards are prepared to relinquish some of their freedom of choice in the interests of greater equity.

The Saskatchewan School Trustees Association extends its thanks to the commission for the invitation to make this submission. We also thank the members of other local governments for listening to our submission and for considering the issues we have raised.

Thank you.

MR. CLAYTON: -- Thank you very much, Mr. Mann, for presentation of that brief. The commission had asked that the briefs deal as much as possible with the major issues and principles, and that hopefully we would be able to use the consensus that we hope to develop in that regard to evaluate those issues and possible options for the future. You've done that in your brief, and we thank you for it.

Again, we'll now proceed with some discussion with commission members and I'd call on Mr. Linner.

MR. LINNER: -- Thank you, Mr. Chairman. Mr. Mann, either to yourself or your colleagues, there's two sort of related themes I'd like to pursue a little bit. In the brief you acknowledge that property taxes have some characteristics that make it a desirable form of revenue for education. Yet follow that through to what I think is your conclusion or a sense that property taxes are too high, which I think is an interesting observation, one which I'm not sure I share.

I'd like to follow that in two directions. One is the origin of that kind of sense; what perception it is that you would have that property taxes are necessarily too high and, from that, you lead to the conclusion or to the statement that right now property taxes are about 50 percent of your revenue, and that you could have provincial funding increased to 75 or 80 per cent. I find that interesting in the concept of autonomy and local accountability. Are you coming to that conclusion of 75 or 80 per cent because you think property taxes are too high, and that they should go down and, therefore, to make it up the province would have to come with that amount of money; or do you come to that conclusion, in part, because you were saying that school boards only control about 20 per cent of their own destiny now and in a sense, therefore, conceding some of the taxation revenue to people like SARM and SUMA who are arguing for it?

It almost senses in me that you are indicating that school boards can give up some of their local autonomy if you relate local autonomy to sources of revenue and still be able to exercise the kind of prerogatives you want in the local decision-making source. So there's two related aspects there. I would appreciate your comments on it.

MR. JAKE VOLK: -- Yes, maybe I should address the first part of your question, Bob, first, suggesting that you'd be interested to know where we get the request, or where we learn that the property tax is too high. We get this from a variety of sources in our discussions, of course, with SUMA and SARM. They tell us in no uncertain terms that the property tax collected is too high and, as you put it from the briefs thus far, even our own people on occasion will say that the property tax is getting to be a burden for them in some respects. We are not making a judgement call, and I think our brief doesn't say that they are too high. We would like the commission to have a look in relation to other taxes that are being collected if, in fact, you think it is too high.

We do get comments from the people that we deal with in a variety of capacities that the property tax payer sometimes feels that he is paying more than his fair share. If that is, in fact, true, and it's very difficult to establish that in relation to other taxes, but we think that you, as a commission, may have some information or will be getting information which will make it easier for you to establish whether that is, in fact, true.

If I could address the second part of your question, the 75 to 80 per cent suggesting -- and I'll address the last part of that question first -- where you suggest that are we saying 75 to 80 per cent because we're only controlling 20 per cent at the moment, I think we wouldn't agree with that observation. That's not the reason. The 75 to 80 per cent -- I think there are several reasons why we think 75 to 80 per cent, and the first one I think you mentioned yourself. It would, of course, grant some relief to the property tax if we got 75 to 80 per cent government support, then the property tax burden would be decreased. I expected your question, more specifically, would say: why the 75 to 80 per cent? Why not go all the way? Am I reading you correctly there, or are you interested in why we'd simply like an increase in what is currently being funded, or are you interested specifically in the 75 to 80 per cent?

MR. LINNER: -- Mr. Chairman, I would like to know particularly why you come to the conclusion that it's 75 or 80 per cent. Let me say, first of all, that I don't accept the rationale necessarily that if you got 80 per cent provincial funding, property taxes would go down. Presuming there isn't an empty well out there, if that happened, then revenue sharing to the municipalities would go down, and they'd take over that territory. So I don't think that's necessarily a conclusion.

What I'm interested in is why you come to the conclusion of 75 or 80, and particularly as it relates to your necessity, as you indicate, and I don't have any argument with it, of having local decision-making in education. Is there a correlation between the 75 and 80 per cent and the question of autonomy in local input to education?

MR. JAKE VOLK: -- Okay, I'll address that. The 75 to 80 percent that we have been using, because there was no hard and fast figure saying it should be 75 or 80, but somewhere in that range and, first of all, the literature that we've reviewed indicates -- and there are several pieces of literature that have made this reference -- I'll refer you to just one that's fairly well known in this province, that's the Amundrud Report, as it's been known, on financing of schools -- makes that reference that the boards would in fact continue to enjoy the local autonomy, the flexibility, accountability, what have you, if they raised about a quarter of their money locally. So that's the one reason.

The other one is we have, I think, through experience there is. . . you might think that by raising it by 75 to 80 per cent, we are making a point to remove it entirely. If we're going to go to 75 and 80 per cent, then why not remove it entirely? Our capital funding, for example, at the moment is being, as I've indicated in the brief, as was indicated in the brief, is about 90 per cent funded by the provincial government, and the capital funding, local control, is very minimal in capital funding. We see a close relationship between that lack of control and the high provincial input. So we don't want to go up to 95 or 100 per cent.

On the other hand, why not lower? We had, some years ago, the provincial government did pick up about 58 per cent of our costs, but now they're picking up somewhere in the area of 50 per cent and, although it went down the 8 per cent, it didn't really increase our local autonomy either. So I think the two extremes -- we say we're leery about the two extremes, and we think we could work with a 75 to 80 percent and still retain those characteristics that we deem necessary.

MR. BRADY: -- Thank you, Mr. Chairman. Your comments -- I believe it's on page 50 -- and you suggest that we do not believe that local autonomy can be legislated. If I recall, SARM this morning suggested that local autonomy, in their view, came by way of legislation. In the example they gave, that if they raised all the money locally and the provincial government gave them no authority to spend it, they would have no local autonomy. I'm wondering if you would elaborate a little bit on why you really believe that none of it comes by legislation.

MR. JAKE VOLK: -- Well, of course it goes without saying, we don't agree with SARM's observation this morning that it's legislated and, as we've indicated in our brief, we don't believe it's legislated. Local autonomy is . . . you can no more legislate local autonomy than you can legislate good will. Local autonomy needs . . . you have to be able to make the decisions and carry them out. As Bob indicated in the brief, if local autonomy means local decision-making and if you make a local decision, there's not much point making a local decision if you haven't got the funds to carry it out, and you can get the funds only if you raise the funds. Then you have the funds to carry out the decision that you are making locally.

Legislating that kind of autonomy, I really don't see the connection . . . I just can't see how you could legislate local autonomy. Local autonomy implies that there is a local freedom to make a choice, and the very fact that you're going to legislate a local choice, I find a contradiction.

MR. BRADY: -- Thank you. I guess, in looking from an urban point of view on a new urban act, I would think that our new urban act gives us much more local autonomy than what we had before, but maybe we look at it a little different.

In talking capital projects, you suggest you're quite happy with the fact that you contribute four mills on an equalized assessment for capital programs, which I think equalized mill rate would be about 150 mills, so it's something less than 4 per cent that you are contributing at the local level. And if you're satisfied with that, does that then indicate that you could be satisfied with a 4 per cent input in the operational end of it, as well?

MR. JAKE VOLK: -- No, and I had hoped that was clear in the brief. First of all, let me clarify the 4 per cent. There's a four-mill cap on the local input. It doesn't mean that the input is necessarily the four mills, but there is a four-mill cap on the local input.

I think we've tried to make the point that in capital construction that capital is a very different kind of funding operation than for operating. In capital construction in the province of Saskatchewan, as you can well appreciate and well know, there are very great differences from one part of the province to another. Take, for example, the cities and school divisions that are adjacent to cities. Their capital requirements differ very significantly from the capital requirements of a school division that's out in rural Saskatchewan, and therefore we say there has to be a provision to provide greater assistance to those boards who, because of transfer of, shift of, student population and what have you, or because they're an urban centre, that people are moving into urban centres, that they incur greater expenses, and therefore there has to be greater provincial involvement.

It would not be fair, we don't see how we could get around the equity characteristic by making every board pay for the capital construction, as they do for operating. We think in operating that is not true. There is some shift of population for operating purposes, but it's very minimal compared to the impact it has on capital programs.

DR. LANGLOIS: -- Mr. Chairman, I have a couple of questions in relation to the brief. Let me follow Ted's line, first of all. You're proposing that we go to 75 or 80 per cent funding by the province. How would you propose that the province might finance the additional $150 million or more that would be required for that, because I believe your assumption is that there would be a corresponding decrease in property taxes? Who would pay more taxes as a result of this shift? Would it move from one group of people to another?

To go even further than that, as I read the brief, you propose an increase in property tax rebates. How would that be financed? Again, who would pay for that?

MR. NEUFELD: -- I think our chairman referred to that in his brief, when he stated that if, in fact, the government should pick up or would pick up 80 or 75 per cent of our school budgets, that it would not necessarily mean less tax dollars to the people of the province, and that it would have to be picked up in other forms of taxation, be it income tax or sales tax or maybe some new tax that we haven't even thought of it. But I think it would be an illusion to believe that if the property tax were removed, or even that if we were going to receive 75 or 80 per cent of our funding from the provincial government, that we all would be paying a lot less taxes. I don't think that concept could wash, really.

DR. LANGLOIS: -- I'd like to pursue that a little further. I understand in global terms, that the total tax bite might not be any different. But I would suggest to you that when you move from one tax base to the other that different people pay the taxes. The people who pay property taxes do not necessarily pay income taxes in the same way, in the same proportion. Have you got any information that would suggest that there might be a shift in the incidence of the taxes from one group to another, let's say, from wage earners to farmers or vice versa, as an example?

MR. NEUFELD: -- No, I'm sorry. I can't answer that. I just don't . . .

MR. JAKE VOLK: -- I don't necessarily support the contention that you have just raised. However, there are statistics available to show that the -- and again it was alluded to in our brief -- that the income tax, there is a shift towards raising more tax moneys through the income tax. In our proposal, it would be in keeping with this general shift, both at the federal level, and at the provincial, and at the local level, where there has been a shift from the property tax. The property tax raises a much smaller percentage, a much smaller portion of tax revenues now than it did some time ago, on a percentage basis, at least. And the income tax -- the sales tax has stayed relatively the same, but the income tax has certainly increased, and our proposal would be in keeping with that trend.

DR. LANGLOIS: -- I would like to just pursue the rebate question for a minute. Frankly, I was surprised to see in your brief that you're proposing an increase in the rebates, in the various rebate programs -- at least I read that in the brief. I hope I didn't misread it. Why not simply propose, instead of going through a rebate program, propose that there be increased levels of transfer payments from the province to the local governments, instead of going through the rebate mechanism? Or were you proposing both, both an increase in transfer payments and an increase in rebate programs?

MR. JAKE VOLK: -- Not necessarily both. We see them both as possibilities. Now, whether there would be some movement in both at the same time, or whether there would be a far enough . . . great enough movement so that the other wouldn't have to be affected, that we didn't address. However, the increase . . . I missed your question about the . . .

DR. LANGLOIS: -- Well, the main thrust of the question is why did you not propose an increase in transfer payments, rather than increases in rebate programs? Rather than increasing the rebate programs, why not simply increase the grants to board or the revenue sharing to municipalities?

MR. JAKE VOLK: -- Yes, we did propose that. However, we have been proposing that for a number of years, and that has not come about. I think, as an alternative, we are asking that the rebate program be explored as another possibility. As many of you know, we have been making representation to government for a number of years, for many years, asking for more transfer payments, but they have not been forthcoming. It was our contention that maybe we should take a look at the rebate program, because there was -- apparently the government is more prepared to move in the rebate program, since the rebate program was added this year, and an additional $11 million was added this year by way of a rebate program. If that is, for whatever reasons, a more practical route to go, then maybe that's the route we should explore, and we're asking the commission to simply have a look at rebate programs, what are the possibilities.

MR. BRADY: -- Thank you very much. In your brief you refer considerable time to saying that SUMA or urban government have had major increases in revenue over a period of time. Do you ever get the feeling that the provincial government has been sitting back on its easy chair, while the school trustees have been saying, well, if you raise our contribution from the province, we'll lose local autonomy? And while that message has been going back and forth, it would seem to me the government is sitting back pretty comfortably. Maybe that's a statement rather than a question. If there's no comment on that question or statement, I believe Don Rowlatt has a question to raise.

MR. ROWLATT: -- I'd like to chase this money question a little bit, as to where our money might come from. Dr. Langlois used the term $150 million to get up to the kind of percentage that you're talking about, 75 or 80 per cent. If one were to put that on to the income tax, for example, it would make our income tax rate by far and away the highest in the country, out of reach of most others, a thing that may not be desirable. That's one element of it.

A more interesting element, it seems to me, is why wouldn't somebody simply move into that property tax room that had been cleared out by the school boards. Why wouldn't we see not only an increase in income taxes to finance this, if that were the way we were to do it, for example; as well, we have other people here today who are quite anxious, indeed, to have a little shot at that property tax base. Would you suggest perhaps -- I'm not sure a regulation is too strong a word -- that would prohibit that property tax base from being reached into, so that in fact the people wouldn't ultimately have both higher taxes and the same level of property taxes?

MR. JAKE VOLK: -- It might be very difficult to make that kind of a restriction, and I think what you're saying is very true. There is evidence of this in other provinces where that very thing has happened, when one local government moves off a particular tax, another one moves in, or in fact the government moves in and uses the tax base. That's a very strong possibility. Whether they would move in full force if by moving a reduction of 30 or 40 or 50 mills for education purposes, whether in fact someone would move in and levy the equivalent, or only a portion of it, that is mere speculation -- we don't know. I don't think there would be a saving; in fact, we're convinced there would be no saving to the people of Saskatchewan, but it would shift, I think as Herve indicated, it would shift the taxation from a certain group to another group.

Some of the comments that we're getting, some of the representations being made to us have been that there is the property tax, there is a very heavy demand, an undue demand, on the property tax, and this would grant some relief in the property tax area. We're fully cognizant that this would result in heavier demands in either the income tax, or the sales tax, of course, would be another option.

MR. CLAYTON: -- I'd just like to perhaps come back to the discussion we had at the beginning on autonomy. You'll note that the commission members have asked a good number of questions on this matter, I suppose, because we feel that for a local government to function as it should, to reflect local priorities and so on, there should be a measure of local autonomy. We've had some differences of opinion expressed on where that autonomy comes from, and I guess we've even had some differences of opinion on how much autonomy, perhaps, there ought to be.

But I think our discussions on this have tended to be rather vague, and it's going to be rather difficult, unless we pin this down a bit more, for the commission to come to some conclusions on the matter. I think we need to be able to provide answers to such questions as this: what sorts of decisions can school boards make at the present time with the current level of provincial funding? What sorts of decisions could they make if the province went to 75 or 80 per cent, as you suggest? What differences in the kinds of decisions that local governments or school boards could make in this case, what differences in the kinds of decisions that could be made, would exist if it went to 90 per cent, 95 per cent, or 100 per cent?

It seems to me that that is the essence of the thing, what sorts of decisions can you make locally? I'm not necessarily suggesting that that be answered now. I think you may wish to comment on that. But I think at some time during the course of our discussions we need to come to grips with that in a reasonably specific way.

MR. NEUFELD: -- I hadn't raised my hand, but that's okay, I'll make a comment anyway. Your comments are interesting, Mr. Chairman. I think it's kind of a relative thing, really, if we could talk about 75 per cent, or we could about 90 per cent, and it depends on what kind of limitations would be put on to something like that. If, for example, the provincial government told us that our budget of $4 million, that they would provide $3 million and that we were permitted to raise an additional $1 million locally, but no more, we really still would not have the autonomy that we may require at the local level, and I think it's a little bit difficult to play with percentages on a hard and fast rule basis. And I think that in order for boards to have the autonomy that they require and that they must have, they must be in a position to make fiscal decisions, program decisions -- and of course they're very closely related -- and they must, because of that, have access to a source or revenue that is predictable, and I think that word has been used more than once today.

But I find it a little difficult, you know, with this whole idea of autonomy, and when we talk about autonomy being legislated, you cannot legislate autonomy.

MR. LINNER: -- I'd just like to come back . . . In your brief you deal with the question of user tax very quickly and summarily dismiss it. Let's assume 75 or 80 per cent of the funding were available from provincial government, which means that everyone pays through income tax, sales tax, gas tax, or whatever it is, and only 20 per cent of it was a discretionary dollar. The argument against the user tax by Dr. Dibski is that it would be inequitable because education benefits everyone, not just the user. Yet everyone is already paying for it -- let's be frank -- through all sources. Why is a user tax any more inequitable in that argument than property tax, since it's not just those who own property benefit from education.

I mean, education is a universal thing. Is it in part related to the universality of education, that if there was a user tax my children may not be able to go to school, because the city of Prince Albert doesn't pay me enough money? Or is there . . . is it really a question of equity or is it more fundamental to the principles that all of us should have education available to us without direct cost?

MR. JAKE VOLK: -- I think there are . . . You mentioned what would be the difference between the user tax and the property tax. I think there's a fairly significant difference. The user tax would be very limited. I think maybe it's a matter of degree, but I would suggest it's a very significant degree.

A user tax, as I understand it, would mean that if you had two children going to school, you would pay the education for those two children, and you would be paying for it if you had children. If you had no children going, you wouldn't be paying.

Now, with the property tax, of course, true it doesn't get everyone, but it gets an awful lot more. There are many people who pay property tax who do not have children going to school, at least not at the present time. The user tax, you would pay taxes until your children graduate and then again you would stop paying taxes. Of course, that's very restrictive, that's why we can't accept it. The property tax has some of these characteristics too.

I think that it's very difficult in many of these concepts that are being talked about here, it's a matter of degree, and I think that's what we're talking about here. The property tax, true, we're going to be missing some people, but we're getting a lot more than we would be by way of the user tax.

MR. BRADY: -- Thank you. One of your principles of taxation was tax equity as a priority. It would seem to me that it's difficult for me to accept the fact that if the property owner is called upon to support 50 per cent or better of the cost of education, that there is tax equity. Albeit that you comment that you get a greater number of people paying property tax, but I think we have to go a little beyond that and look at the amount of property tax that some people are paying, over and above what others are paying, and then compare as to whether there is tax equity or not, not just on the basis of whether you pay tax.

I'm wondering, from the school trustee's point of view, do you really feel that there is equity in the property tax field for education?

MR. NEUFELD: -- I would just like to ask a counter question. Is there any less or any more equity in the income tax system, where one man pays a great deal more income tax than another person? I don't imagine that there's any tax that is totally equitable, and I think we mention that in our brief.

MR. BRADY: -- Being a poor farmer, there's no equity in income tax.

MR. LANGLOIS: -- I'd like to pursue an item that I don't think is in the brief -- which I looked for and didn't find anyway -- and it's the issue of equalization, or the principle of equalization of educational opportunity and the impact of the foundation grant program, in fact, on the equalization of opportunity for kids irrespective of where they live. Is it true of you that the existing transfer payment program is equitable in that does it fulfil the goal of equality of opportunity, or are there any changes that you would propose? How does one make sure that kids do get an equal chance, irrespective of where they live?

MR. JAKE VOLK: -- I think, by and large, Herve, there is more satisfaction with the present distribution formula than there has been with any other to my knowledge and, speaking to older trustees, I get that same feeling that they are reasonably satisfied with the distribution of the moneys in providing opportunities for students.

On the other hand, I think we have to recognize that at no time will we ever get equal opportunities for all students in all parts of Saskatchewan. I think we have to recognize the realities of geography, for one thing, and the realities of the movement of people, that we're never going to get 100 per cent equality in equal opportunities. But I think I could speak for the trustees and say that, generally speaking, there are no serious problems with the opportunities that now exist if you're looking at rural Saskatchewan or urban Saskatchewan. I realize there in the special service areas, that in some areas you simply cannot provide what you will be able to provide in others, but I don't see any system that would provide that kind of equal opportunity to students. Maybe I've missed your question.

DR. LANGLOIS: -- You haven't missed the question, but I would like to follow up a little bit. You talked a little bit about equality of opportunity, and you seem to be satisfied that the programs that are in place, in fact, contribute to that, and there's a general level of satisfaction. The other end of it is taxation equity, or the extent to which the tax effort for those programs is relatively the same. I look at school division mill rates and see that there's a range of about 90 at the lower end, I suppose, to about 140 at the upper end. Assuming that there's a reasonable level of equality of opportunity, isn't that quite a wide range of mill rates? You know, is there not some inequity in the levies that are there, partly as a result of the programs offered, but partly as a result of the foundation program itself?

MR. JAKE VOLK: -- I would like to address that one. Yes, there is a range of about 50 mills. However, I don't think that that is serious at all. Certainly, some of it may be, on account of the distribution formula; there may be some of it, but I think we can account for most of it in other terms, other than in the formula itself.

Let me give you a few examples. First of all, with the fact that we're going to have local autonomy, we're going to have differences in mill rates. There's no question they're going to make different program decisions. We have boards who employ, for example, more teachers, considerably more teachers, for the same number of students. So your costs, when the grant formula is based on the number of students, there's bound to be a fairly significant difference.

Another example is: some boards have building programs, and this is a very few boards that are involved in regular building programs. There can be an automatic formula increase there, which other boards who don't build simply haven't got. We have boards who operate at a deficit. I haven't got all the mill rates here to know how they arrived at their various mill rates, but a board with a very low mill rate may have a deficit, may be operating a deficit. We have boards that have built in four, five, six mills surplus, on the other end. When you add all these up, the 45-50 range becomes very small, like it's a lot less than that.

Those are the extremes and they account, I think, for boards who . . . there are some extreme cases. But I don't think it's extreme when you consider the differences that boards have to contend with, particularly in the area of capital, and in the area of program, and in the area of surplus, deficits. This all is reflected in their mill rates. I don't think that a mill rate range of about 50 mills is excessive.

MR. ROWLATT: -- I'd like to move away from these narrow questions of money, I guess, to a broader question. We were asked this morning, and I think quite rightly so, to be a little visionary about what we're talking about.

What do you see to be the single, most important thing that has to happen in the school system over the next decade to meet the needs of our changing economy, to meet the quality of life in our rural areas that are so important to, I think, a lot of people here? What is the single most important thing that you have to do to respond out there to these needs, and what does that suggest for the financing of the system?

MR. JAKE VOLK: -- I guess I should have kept my hand down. Well, there are of course a variety of challenges out there, but relating it to what we're up against here, as far as the objectives of this commission -- and there is a financial implication; we can't get away from dollars entirely, because after all that's what this commission is all about, this conference is all about -- we see some fairly heavy costs out there that boards are going to have to contend with in the years ahead.

I think that technology, for example, technology is a very expensive operation and even more specific, in the whole field of computers. You're aware that if you're going to get into the area of computers, you're going to be talking dollars, and lots of dollars. Not only are you talking about computers, but you have to talk about your staff, having to get your staff ready to handle the computer programs, that kind of thing. That's just one. There are undoubtedly others. I really haven't given it much thought that I could list a whole slew of them, but that's certainly one that I think we would have to take a look at, the whole area of technology field.

MR. CLAYTON: -- Mr. Neufeld, I believe you have a further comment.

MR. NEUFELD: -- Just a brief comment to add to what Jake said. I really don't see the role of the school changing a great deal in the next 10 years. On the other hand, it might change a lot. I think the directions may change somewhat, the intensities in different areas may change somewhat; curriculums are going to change, but the role of the school is still going to be the same: to educate people, to teach them how to communicate, to teach them the things that we're teaching now, and maybe more. The bottom line, in order to do that, is going to mean dollars, and it's going to mean more dollars. And I think, as Jake indicated, that's what we're primarily concerned with here, that we maintain the opportunity to do those things that we're going to need to do, whatever they're going to be.

MR. ROWLATT: -- The direction I wanted to go with the question was to try to find the difference between simply the need to throw more resources into an area of great importance to us, versus the ability within the school system to reallocate, to repriorize to meet the new needs at the expense of the old needs, whatever those changing directions are. And I was going to try to get to the question of how much of this we can accomplish by some hard choices and some repriorization.

MR. MANN: -- I suppose it's going to be a challenge for school trustees, because certainly needs are going to change over the years. They have always changed, and the challenge to meet the needs of the public and if things stay as tight as they are, are we going to be able to afford all the needs or all the demands that are going to be made upon us? I think to me it is a challenge, and I can't foresee what the needs will be 10 or 15 years down the road. I can't see that far yet.

MR. CLAYTON: -- Mr. Neufeld, I believe you had a point.

MR. NEUFELD: -- I think my comments have been made, but I think boards have been doing this for the last 50 years. They've been responding to challenges and to change, and that's not going to change in the future. They're just going to be different.

MR. JAKE VOLK: -- I'm going to try and follow up on Mr. Rowlatt's question as to what's down the road. There has been a very extensive study undertaken by the Department of Education recently, as you're probably aware, the study called Directions, and they have taken a good, hard look at education down the road. They call for some revamping of approaches to education, in instruction in the way we teach, and what we teach and, again, the bottom line, the question that's being asked over and over again: is there going to be some extra dollars required? We don't seem to be able to get away from that.

Unfortunately the study didn't come up and say we can do a lot more with less money. The study says we can do a lot more, but we're going to need more money. Such things as the libraries . . . I know this particular study had a good, hard look at their resource centres, said we need a big improvement in our resource centres. We need in the field of counselling, guidance counselling, we need people, and people cost money. So unfortunately we haven't got a plan for you which will revamp and revitalize and restructure our school program and make it better with less money. I think we have a plan -- the direction certainly is going down that road -- we've got a plan that's going to improve our program, but it's going to cost more money.

MR. CLAYTON: -- I think the time of day is such that we do have to move on. We could have carried this particular discussion on further with the Saskatchewan School Trustees' Association but, at this time, I would like to call upon the Saskatchewan Library Trustees' Association to present their brief. After the presentation of that brief, and after the opportunity has been had for a brief discussion, we will have a short coffee break. Could I then call on Mrs. Darrach for presentation of the Saskatchewan Library Trustees' Association brief.

Saskatchewan Library Trustees' Association -- Presentation

MRS. DARRACH: -- Mr. Chairman, members of the commission, fellow delegates, ladies and gentlemen:

Appreciation is expressed to the Government of Saskatchewan and to the Saskatchewan Government Finance Commission for the recognition given to the Saskatchewan Library Trustees' Association as a participant in this conference.

The SLTA executive expresses thanks to Mr. Ray Clayton, chairman of the commission, and to the commission for providing background information which has assisted the executive in the preparation of this brief.

On behalf of some 800 trustees in Saskatchewan, the SLTA has been concerned about local funding for libraries and provincial funding for libraries. SLTA has, for many years, presented these concerns to the minister in charge of libraries, and to the government, in the form of a brief.

SLTA presents a limited proposal at this time. There are three reasons for this:

1. Time. The SLTA executive is composed of one representative from each of the seven regional library boards and one

representative from each of the municipal libraries of Regina and Saskatoon.. Since the announcement of the formation of this commission and the invitation to present a brief, the nine trustees have been seeking the views of trustees and librarians in their areas. Assessments of the reported viewpoints were made at meetings in August and early in September.

2. Research Assistance. Unlike other larger organizations, SLTA has no finances available to employ researchers. The background paper on local government financial issues, prepared by the commission, has been of great value.

3. Views of the Trustees. The SLTA executive will present the views being proposed to this commission today, to the annual SLTA conference in Saskatoon, October 26th and 27th. Thus, it is hoped this presentation may be regarded as an introductory or interim statement of the SLTA position. Following the SLTA conference, it is possible a revised brief would then have to be presented to this commission.

It should be noted that, in 1982 and 1983, the views of various organizations regarding the change in the property taxation system were noticed by library trustees. There was a feeling that it was likely there was not much chance of any changes, at least in the immediate future. Two proposals regarding funding for libraries were made by individual trustees, and were given consideration. These were: (1) that provincial lottery funds be allocated for library purposes; and (2) that a portion of the provincial income tax be assigned to a library operational budget. The first proposal was studied by the executive and rejected, as it was felt there was no guarantee that lottery plans would continue to generate a steady cash flow. The second proposal was only given cursory consideration, and no decision was reached, as it was felt SLTA did not have research capabilities in order to probe adequately the pros and cons of such a plan.

We wish to comment on the "Background Paper on Local Government Financial Issues" issued by the commission. There were four points which were of concern.

Firstly, the first section states, in part: "There are currently three municipal libraries . . ." and later in the statement it says, ". . . there are three large municipal libraries, in Regina, Saskatoon, and Lloydminster . . ." which are not part of the regional system. We wish to advise the commission that, while there are indeed libraries in Regina, Saskatoon, and Lloydminster, the Lloydminster library is not now regarded as part of the regional system, since the library is funded by both the Saskatchewan and Alberta governments, in a unique sharing system. While Lloydminster is within the geographical boundaries of the Lakeland Library

Region, it is not part of the regional system. The libraries in Regina and Saskatoon, in conjunction with the Saskatchewan Library, have acted, and will continue to act, as resource centres for the entire library system of Saskatchewan. Finally, the statistical reports, table 16 and table 17, prepared by the provincial library, apparently include Lloydminster statistics in the "municipal libraries" section. Thus, these figures do not accurately represent the municipal library statistics. However, it is suggested the Lloydminster figures may account for only a small part of the total. The municipal library section, which includes Regina and Saskatoon figures, therefore should be adjusted to take into account that the Lloydminster statistics should be subtracted.

It is stated, "A participating municipality can opt out of its regional library district, but it must give two years notice after which time it can receive funding directly from the province." SLTA strongly opposes such a policy, since it may encourage municipalities to withdraw and set up their own individual, but poorly funded, local libraries. The major strength of regional libraries, and thus the major benefit to the municipality of providing regional library services to its residents, is based on the concept of pooling funds, and thus being able to provide resources on a shared basis.

Three, it is stated on page 34, "So far, no municipality has actually withdrawn." There have been a number of cases where municipalities have given notice of withdrawal. Some have rescinded their notices, while others have actually withdrawn and then have been reinstated. We wish to point out that a solution to the problem of municipalities withdrawing from a regional library would be to have all municipalities agree to universal participation. If library boards had the assurance of maximum participation, in the same way as school boards, there would be more stability and less disruption of services to users.

Four, one area in which there has been a great deal of consideration by library boards over the years is with respect to a workable funding formula for both regional and urban libraries. An analysis of operating revenues and operating expenditures for libraries, as shown in table 16 and table 17 of the commission background paper, shows the way in which library service has been expanding to meet the needs and demands of library users. It is significant that total library revenues increased from 2.9 million in 1971 to 15.7 million in 1982. But there is a startling contrast in revenues for regional libraries as compared to revenues for municipal libraries. The present statistical information shows that an unusual situation exists, and any change in the present taxation and grant system should take these facts into consideration. I will leave you to read the little chart yourselves.

It is obvious provincial support for regional libraries has increased on a regular basis. There has been an increase in local support for regional libraries, $300,000 in 1971 to $2.1 million in

1982. However, it is noted that local levies as a percentage of total revenue has ranged from 24.2 per cent to 40 per cent, and, in 1982, was at 33.9 per cent.

The municipal library statistics are very different, as local levies have ranged from 82.5 per cent to 92.9 per cent, and, in 1982, were at 86.3.

The operation of a regional library, however, given the enormous geographical area to be served, requires greater funding from the senior government than the funding required to service an urban library in a limited geographical area.

There is an historic reason for this situation. Regina and Saskatoon had well-established library systems when the regional library system was developed. Both Regina and Saskatoon library boards recognized the need to be part of the development of the regional concept, and that the regions would need substantial provincial funding in the development stages. The municipal libraries feel that the situation where 33.9 per cent of the local levies go to regional libraries, and 86.3 per cent of local levies go to Regina and Saskatoon, needs to be reviewed. There is no suggestion that municipal and regional boards should receive parallel funding. There should be additional funding available from the provincial government, but not at the expense of funding for regional libraries.

Saskatchewan regional libraries are generally supported by provincial government and local funding, while city libraries, Regina and Saskatoon, are funded primarily by local levies. It is significant that, despite the great dependency of public libraries in Saskatchewan on funding from the provincial government, public and regional libraries are controlled by local governments.

A further topic which we would like to discuss is capital funding. Library trustees have, in the past, supported a capital grants program, which is available to library boards. A specific allocation of funds for library use is preferred by the trustees. There have been capital funds available in municipalities with considerable latitude in regard to the use of such funds. Library boards have been only occasionally successful in securing the allocation of funds in competition with recreation or other projects.

In conclusion, Mr. Chairman, the position of the SLTA can be summarized as follows. The status quo, or the present taxation system, is satisfactory as far as library trustees are concerned, provided that the library boards are allowed to continue to exercise local autonomy decisions.

It is further felt that the value of the present regional library system can be enhanced by: (1) taking steps to persuade all municipalities to participate in regional systems; (2) developing a regional type system for northern Saskatchewan; and (3) improving capabilities of the Regina and Saskatoon libraries as resource centres, to enable them to better serve their publics.

It is the view of the Saskatchewan Library Trustees' Association executive, after examining the present system and some alternatives, that no changes should be made to the present taxation structure with respect to libraries. However, as indicated earlier, SLTA will review the presentations of other organizations and will secure the viewpoint of trustees at our annual conference.

Thanks is again expressed, Mr. Clayton, and the commission, for assistance, and for their consideration in receiving our brief today.

MR. CLAYTON: -- Thank you, Mrs. Darrach, for the brief, and again we wish to assure you that should, as a result of your further deliberations, you feel you wish to make a further submission to the commission, or if you wish to enter into informal discussions, or just whatever way may suit you, we would be most receptive to that. So we can assure you of that. We'll now open it up for questions from the commission. Mr. Thiessen.

MR. THIESSEN: -- Thank you, Mr. Chairman. On behalf of the commission, I would certainly like to thank the library trustees' association for the brief that they presented. The question that I would like to ask initially really starts out with where your brief started from. You spoke about resources at the very first page, I believe, and I'll refer back to it, maybe, if I have to. And I think we all agree that your capabilities and your resources are much more limited than any group that we're looking at. And the question that I think is really universal, that I've heard through the province, and would like to ask very publicly, and maybe one that you've answered very publicly in other areas, but would like to ask for the sake of those of us that are here, is in regards to resources of your libraries with school libraries. We have a lot of municipal regional libraries. What's happened, and what can happen, to amalgamate, co-ordinate, that type of thing, in small towns, cities, where you have both? Is there an opportunity of amalgamation? Is it a possibility? Has it been tried?

MRS. DARRACH: -- I can't recall whether it has been tried or not, but we have thought about it. Now there is a problem. There is no school library anywhere that can even contain the material needed for the student body. Your taxes would really soar if you tried that one. Also, the material needed is very different for schools and for the general public. Another point, at the moment at least, school libraries are not available for the general public, and I happen to be one that thinks you never stop learning, so libraries are important for we oldsters as well as the youngsters, and I don't think you can amalgamate them both. Where would you get the building, for one thing?

MR. THIESSEN: -- I would agree with what you're saying. My assumption would be, though, really what you're saying then is it's a problem, and the first problem is a facility problem. And I was just wondering whether steps have been taken to remedy that kind of thing. I would just make a quick suggestion, that in most school libraries, or where I've seen good other libraries in small communities, time allocations would fit the thing that you're suggesting. You know, that schools would use it certain hours, and adults could use it, perhaps, after school hours, that type of thing. I don't want to pursue this too far. I just really wanted you to answer the question whether it had ever really been tried.

MR. BOTHWELL: -- Mr. Thiessen, it's my understanding that there have been one or two areas where this has been tried, but we have not, as far as the SLTA is concerned, any specific knowledge of it, and we would have to follow it up. I would like to make the point, however, that we do feel that there is a distinct role for a school library which meets the needs of the school, and that the role of a local library for all citizens is expanding more now than the . . . Well, in the last five years and in the next 10 years, it's going to expand even more, and there is a special role for the existing library system, and I don't think that the two can work compatibly together.

MR. NICK VOLK: -- Mr. Chairman, I'd like to ask the library trustees: on page 6, you talk about local autonomy. We've talked about local autonomy all day. The previous presenters have talked about local autonomy. You state that you're quite happy with the status quo, and that library boards are allowed to continue to exercise local autonomy decisions. Now what do you feel you need to make those local decisions, that you have this local autonomy? What ingredient do you need?

MR. BOTHWELL: -- Well it seems to me that there are a considerable range of local decisions that face a local board: the whole question of the time that you're going to be open to provide service to the public; the emphasis that your library system is going to place on the provision of service to special groups; whether you have demands for . . . For example, one that I know of is the book service to senior citizens' homes. That is a local decision that has to be made, it seems to me, by the local board, rather than a provincial board to say, no, you can't, or you can do that sort of thing. There are a wide range of local decisions -- the whole policy of whether or not you try to meet the library community standards, of providing at least 18 to 20 per cent of your budget, should go to book purchases. Many of the libraries now find it very difficult to reach that particular standard, particularly because of the fact that the cost of books have practically doubled in the last 10 years, and while we may be purchasing the same dollar amount of books, we're not purchasing the same number of books. Those are kind of some of the decisions I see are local.

MR. BRADY: -- Thank you. In your brief, the suggestion is made that a portion of the provincial income tax should be assigned to the library operational budget. How would you propose to collect that funding, or is that what your intention was, or who would the money go to?

MRS. DARRACH: -- We didn't suggest that we wanted this, Mr. Brady. The statement is: these proposals were sent to us by trustees. One of them was that a portion of this tax be allocated for operational budget. We decided that we just didn't have the capabilities of looking into this and deciding whether this was the way we should go or not.

MR. THIESSEN: -- I just have to get back again to something else that you suggested, or in looking at your recommendations, and I just want to read again what you say in the first recommendation. It's just a bit of a surprise, because my impression is that libraries, per se, are doing very well, and when you suggest that we need to take steps, or somebody, I assume it's the government, to persuade all municipalities to participate in regional systems; after talking all day of priorities and autonomy, you know, and universal participation, I would be quick to say, and I don't really know, either, whether I'm asking a question, but it seems to me, though, that you have done very well without it.

MR. BOTHWELL: -- Yes, I think we have, but we always are striving for perfection, and we know that when municipalities withdraw from a library system, or threaten to withdraw, it causes problems for the regional library. It's much better if a regional board knows that they are going to have all the municipalities within their region participating full-time than to have them dropping out from time to time, or threatening to drop out.

MR. NICK VOLK: -- I'd like to get back a little bit at the local autonomy question again. You talk about some of the things you would like to do locally. What about the funding of libraries? Is it essential that you have a local base to tax, like the property tax, in order to have that local autonomy that you talk about?

MRS. DARRACH: -- I don't know if this is going to answer your question, but it would seem to me that he who pays the piper calls the tune. If the government is going to put in 100 per cent, then they're going to tell you what you're going to have in your library, who you can have on your boards, etc. At our regional level, the levy is very carefully worked out, and everybody gets into the act. If they are at the meeting, they have their say. And I feel that this is the only way anything like this can operate, is to have the local people having input, and that's the only way, I think, is to have your local levies available through you.

MR. LANGLOIS: -- Mr. Chairman, I want to go back to the issue of school libraries and public libraries, and I've heard some of my colleagues from time to time discuss problems of amalgamating the two. I heard Mr. Bothwell earlier talk about problems, from his perspective, of amalgamating the two, but he didn't identify them. He just said there were problems. I'd like to know, in fact, what the problems are. Setting aside the facilities question, assuming that facilities . . . There might be an empty classroom in a school, or whatever. What, indeed, are the real problems in amalgamating school and regional libraries, from your perspective?

MS. WASMANN -- The problems that have been identified, particularly in regions, because it's the regions that have attempted to amalgamate school and regional library systems: first of all, of course, the facilities problem; secondly, there's usually a staffing problem, where you have two separate entities trying to operate a library at the same time, or possibly at different times during the day. You're then faced with the problem of who is going to staff it. Is the staff person going to be hired jointly by the two boards, the school board and the library board? Are they going to have two different staff people, in which case who's the one that's ultimately responsible? Those are some of the problems with staffing.

There's a lot of difficulties that have been experienced with circulation of materials and purchasing of materials. Whose materials are they? Are they the school's materials, or are they the region's materials? If the materials belong to the school, can the region borrow them? If the materials belong to the region, can the school children borrow them? There's a lot of difficulties in arranging reciprocal borrowing agreements between school systems and the regional systems. There's also the local autonomy decisions about the purchase of materials and what kinds of materials might be purchased by a region that the school may not feel are appropriate for use within the school system; the kind of materials that the school system might want to purchase, that are specifically curriculum-related, that the region might not want to support with their dollars.

And so those are some of the kinds of issues that have been dealt with in regions that have attempted to amalgamate. I think there are more things than that, that mostly relate to the ability of the borrowers to use the facilities and to use the system, and basically they're all financial problems. They're all related to the ability of either system to be able to provide enough money to be able to make the thing work. And that's, I think, the real stumbling block.

MR. LANGLOIS: -- I'd like to pursue a little bit. Let me fly a kite, in this sense. Let me suggest that perhaps school boards might be given the mandate to operate all libraries, school as well as public libraries. How would you react to that? I would suggest there might be a saving which, in fact, could be effected to buy more materials for use by the public.

MS. WASMANN: -- I think there would be a lot of opposition on the part of the general public, particularly the elderly and people who do not have good feelings about schools, who may not have had good experiences in dealing with schools, at being forced to use that kind of a resource. Many of the senior citizens that regional libraries serve are very appreciative of the fact that it's a community-based kind of facility. It can respond directly to their needs, and there are people who are not . . . I think they would feel a little resentful at the school system dictating to them the kinds of recreational and cultural reading that they should be developing, or participating in. That's something that's just a kind of a personal observation, but is shared by many trustees.

MR. ROWLATT: -- I'd like to continue on this issue. The reasons that you have laid out for us, of why it would be difficult to do this, with respect, are largely bureaucratic. And they may . . . And some of the issues of the seniors and the access may have more relevance in our larger centres, where you can have both schools fully functioning and libraries fully functioning. But in small towns and villages, in areas where perhaps our library services aren't what anybody would like them to be, is it a good idea? And if it is a good idea, why don't we just beat the bureaucratic problems?

MS. WASMANN: -- I think that there would be a lot of argument that it is not a good idea to try and combine the two systems, not merely from an administrative point of view, or a bureaucratic shuffle point of view, but from the point of view that schools are dealing specifically with educational activities, and that's the way it's perceived. Whether schools, and I'm sure the school trustees would argue that they certainly do enhance the cultural and recreational activities of the community, I think they're seen by the population as being generally educational. I think libraries, public libraries, are seen mostly as being recreational and cultural, rather than educational, and that's a distinction that has been, I think, furthered by the regional library system, in that most regional systems have a policy that they do not purchase curriculum-related materials to a large extent. Although, in some small communities, I think that you would find that the libraries in the small schools are so poorly stocked with materials that the regional libraries in those communities are relied on heavily to provide curriculum-related materials, much to our dismay. I think I'll let George continue.

MR. BOTHWELL: -- I'd just like to make one point, and that is that I think if you look at the statistics of use of libraries over the last five or 10 years, the community demands, the community needs, are being met by the Regina and Saskatoon libraries, but they're also being met by the regional libraries, and the circulation figures of books, of films, of other offerings of libraries, are increasing. So the public out there is saying, "We like the present system." And I'm sure that the public, as well as the trustees, would say, "Don't tamper with the present system. We don't want a second-grade system, mixed up with the school system." The school system is serving a particular need. So is the public library system. And I think that we should retain the present system that we have.

MR. CLAYTON: -- Thank you, Mr. Bothwell. We'll now adjourn for 20 minutes for a coffee break. The coffee will be served in the rotunda area, where it was located at registration time this morning.

ADJOURNMENT

MR. CLAYTON: -- Gentlemen, can we take our seats please and resume.

Ladies and gentlemen, a number of you have raised questions about questions of the briefs that have been presented today. The fact that we've had some available, but insufficient numbers to get around to everyone, it is our plan to have the actual transcript of the proceedings mailed out to each formal delegate and invited observer. And because of the fact that these briefs have been read into the record, those briefs will be included in the transcript, so we expect that they will be coming out to you in the next couple of weeks.

We now come to the time when we have the last of our briefs, and certainly you were not left to the last because the affairs of the Saskatchewan Urban Municipalities Association are any less important, we can assure you of that. But we feel we've had a very good day so far, and we're very much looking forward to the presentation of SUMA, and I will now call on the president of that organization, Mr. Herb Taylor, to present the brief.

Saskatchewan Urban Municipalities Association -- Presentation

MR. TAYLOR: -- Mr. Chairman, members of the commission, ministers of the Crown, and ladies and gentlemen. The Premier this morning in his remarks dropped the indication that he'd been in church on Sunday. I, likewise, was there, and the last sentence in the gospel for last Sunday was very significant:

> "The last shall be first, and the first shall be last."

Mr. Chairman, it's not my intention to read the brief verbatim. There are some parts we will read, but we would rather go through it and spend what time we have putting some emphasis on certain areas of prime concern to us, seeing that the members of the commission have already had our brief for a week or so.

It's about 101 years ago that the government of the day brought into existence municipal government. And the reason for bringing in that form of government was for the necessity of certain local problems which were felt could be best handled by the citizens of the communities, namely, such primary concerns as fire protection, water, streets, and eventually, later on, the matter of education.

And because these services were given to the municipalities which were incorporated, there had, of necessity, to be a method of financing these operations. So the method devised at that time was a system of financing based on the assessment of property as a base against which a levy could be placed. As we say that has been in existence for some 100 years.

So it's rather refreshing now as we begin the second century of municipal government that we are given the opportunity to re-examine and to see if, at this stage of our lives, in communities, there could be alternative methods for financing local governments in today's economic atmosphere.

At the same time we would like to point out, as an association, that we appear before this commission, and through you, before the government of the day, not with our hands out simply asking for more moneys. We are here, we believe, as responsible citizens to work in co-operation with the commission, with the government of the day, and with our fellow organizations, in seeing how best all of us together, working co-operatively, can be good stewards of the tax dollars which are entrusted to us by our constituents -- to find out the best means by which we can be good stewards.

And so our first obligation, we feel, is to be one of co-operation with this commission, as I say, with our fellow organizations.

Briefly, I'd spend a moment or two in describing our association, which has a membership of some 470 out of the 550 urban municipalities of the province. Our association represents some 99 per cent of the people living in urban Saskatchewan, and our association has been entrusted by its membership with certain duties to perform:

-- To be that association which expresses the opinions, the concerns and the positions of urban government in Saskatchewan;

-- To react to steps taken by the government; to make suggestions for change; and

-- To work in co-operation for the benefit of the citizens of Saskatchewan.

At the same time we feel we have a moral obligation to assist our membership in adopting within their municipalities good management policies -- good personnel policies -- and endeavour to achieve within those municipalities efficient operations, and a provision of good services to our citizens.

As we began to prepare our brief for this presentation, we saw that perhaps the first step would be to look at our various responsibilities. And so we first attempted to outline the responsibilities which have been entrusted to the provincial government, realizing, at the same time, that as they seek to carry out their responsibilities, and we seek to carry out ours, there must be this spirit of co-operation.

And so we have attempted to list in our brief those responsibilities which are fundamental to provincial government, and it's a rather lengthy list. And I imagine most of the MLAs have already been made aware of it. I might also add, they see their rather onerous responsibilities -- it might be a time to re-negotiate the stipends.

It is true that it is a lengthy list for the Government of Saskatchewan. If you turn to the next three pages and see the list of those responsibilities which have, down through the years, become part of the urban governmental scene -- page after page, two and one-half pages actually -- the responsibilities of urban government have grown through the past 100 years; have grown far beyond those three basics of fire protection, streets, and the provision of water. Yet, in the meantime, there has been very little change with respect to the one major source of revenue, namely, the property tax, the one basic source.

Now the province over the years, particularly the last few years, has recognized the dilemma facing municipalities as they have sought to carry out their mandate embodying these many responsibilities. And they have attempted in various ways to ease the problems, the financial problems, of municipal government.

Now we come to this point in time where we stop and ask the question: is this the right approach? -- the property tax; the way it is being used at the present time; the grants which are being passed on by the government. Is this the right approach, or are there better alternatives?

Quite frankly, personally, I'm very enthusiastic about this commission and the mandate which it has been given. I look forward to working with it over the next two years to see if there are answers to that question. Is this the right approach, or are there alternatives that might be better?

This, I take it, would be the main question to which you are addressing yourselves when you're going to attempt to contribute to the material which you will be pondering. We hope that from these discussions there may be alternatives which will set a new pattern for the financing of municipal government for the next decades.

The first item to which we address ourselves this day, as we look for new alternatives, is the matter of assessment. We believe that there are three hallmarks on this subject: consistency, currency, and equity. At the present time we feel that the situation, as far as assessment is concerned, that we're having many difficulties in maintaining those three prime requisites. Let me repeat them -- consistency, currency, and equity.

Now our association is very anxious to improve the system. We have had many discussions with the Department of Urban Affairs, with our counterparts SARM and SSTA. We are prepared and have indicated to our minister, and he has reciprocated in kind, that these discussions will be ongoing. But it has been, and still is, our contention that the assessment function should be brought under the jurisdiction of some form of local government authority, not in an advisory capacity but an authority of board, or board with real authority.

The reason for saying that is that such an authority would consist of people from the local level who, we believe, have a better feeling for, and an understanding of, of local situations. Such a local authority, we believe, would have a better handle on writing the manual which is the bible for assessment practices. The whole practice of determining the assessed value of buildings and property is particularly vital to local government because it forms the tax base for the one major source of tax revenue available to us. It is imperative that assessment be done equitably and consistently to ensure fairness among property owners. And it's also important that it be done within reasonable time frames.

We believe that if our objectives of currency and consistency through the application of a common set of agreed upon factors, if they are achieved (and we believe they can be) then the matter of equity between rural and urban jurisdiction, and between classes of property within jurisdictions will be substantially achieved. I would quote from our brief:

> That this would ensure fairness in the determination of the major tax base available to local government -- a tax base which we, incidentally, think is a good basis for the raising of revenues to provide services to property.

Our minister is in the House, and I state to him publicly again that we are willing to co-operate with him and his officials in ensuring that the assessment matter is brought to a successful conclusion.

I would like now to touch on revenue sharing. As I mentioned earlier, the governments have recognized that property tax alone cannot supply the funds necessary for the carrying out of the obligations of municipal government. One of the reasons that property tax alone has not able to carry out our functions is that our property tax has had to be shared with so many others -- a property tax which, basically, in the beginning was used to provide such things as fire protection, water and roads. And down through the years, notably -- education, health, library, social services and others have become part of the users of the property tax.

Now because of this, and because of the difficulties being felt by local governments, the government has, over the past years, provided us with what we call revenue sharing. And I must admit it's been a Godsend to all of us. I can remember when I first was a neophyte alderman under the wise benediction of Mayor Scoop Lewry, how life goes full circle and back there again.

I remember His Worship saying to me some time ago when he came back

-- I don't know if it was the second coming or the second resurrection of his, maybe the third. He said, "My God Herb, you said when I had first been mayor, if we'd ever received grants like we're receiving today, I'd have thought it was the Utopia." Yes, the unconditional revenue sharing grants have been a great benefit to us.

In some of our very small communities such as that represented by my colleague, the mayor of Strongfield, the revenue sharing grants supply almost 80 per cent of their budget. That's in the very, very small ones. And yet the tax base of those small communities is still being tapped to support other services that we believe are not the responsibility of municipal government. For most communities the revenue sharing grant provides substantial revenue, but nevertheless our major source is still the property tax.

In a study and a report done by this association two years ago, the conclusions reached were that financial support for other services, such as health, and education most notably, should be removed from the property tax base. I'd like to read those recommendations. This was a study commissioned by SUMA, and was carried out by the Saskatchewan Research Council. It's in our Appendix I:

> That local urban municipalities relinquish their responsibilities for health funding, leaving these to senior governments who now bear about 98 per cent of the total costs. Health related costs like ambulance or local levies should be treated similarly so that urban government can move completely away from direct funding. Notwithstanding the relinquishing of funding commitments, however, there is still a need for strong local decision-making and administrative responsibility.
>
> Similarly, any social service related funding such as local per capita levies be terminated. Again there could be a need for some local decision-making and administrative responsibility.
>
> Where, however, there is a demonstrated need for local government administration of health and/or social services, and if the province requests municipalities to assume certain responsibilities, then we must be emphatic that the necessary provincial funds are made available to local government for this purpose; for example, the ambulance program and concerns for the future of the home-care program.
>
> Since municipalities cannot sustain a high rate of increase in present non-property tax revenues that are required to help support the historic growth rate of urban municipal services, alternative sources of revenue must be found, or alternatively, services must be cut back.
>
> It is recommended that a logical new municipal revenue source would be the release of education costs from the property tax

> base. Local autonomy of school boards need not necessarily be diminished by this method.
>
> There has been a trend toward a higher percentage of education costs being borne by the province over the past 10 years. This does not appear to have had any noticeable adverse effects on the local autonomy of school boards and the running of their affairs.

Now it has been mentioned that SUMA and SARM have prepared a joint brief on this subject which we have not as yet presented to the provincial cabinet. But in that brief which is attached (you can read it) we set out: first, reasons why we believe that education costs should be removed from the property tax; second, alternative sources of revenue might be considered for financing education; and three, the benefits to be derived resulting from changes being made in the current system of education financing.

As mentioned previously, Mr. Chairman, this association represents municipalities of varying sizes and character: cities, large and small; towns, village, resort villages, and northern municipalities. Now the government's already realized that there are differences in so far that they have made differences in the revenue sharing formula for rural municipalities and northern municipalities.

Now the grant system for cities, towns, and villages, and resort villages is substantially the same regardless of size. Now that has some advantage -- simplicity for understanding. However, it does not really meet the need or recognize the complexity of the problems for some communities, particularly those communities with a very low tax base. Now to some extent the equalization formula takes care of it, but not entirely. Well, we're being faced with another situation -- growth of communities.

I was talking this morning to the mayor of Martensville, a community now of about 2,500, but their revenue sharing formula is still based on a population of 1,900, the previous assessment. Now, of course, we could overcome that by biting the bullet and having a yearly assessment. But as we say that we'd also have to realize to have a yearly assessment, there are some of our very small communities perhaps, and some are even larger ones, that would have less than they are getting now on a yearly census -- those that are experiencing a decline.

However, we believe that this is a problem that can be tackled, that the revenue sharing as you consider everything, the revenue sharing program needs to be considered in its totality, recognizing that there is complexity situations between and among certain of our communities.

And when we talk about revenue sharing and property tax and so on, we must express this statement that we are very strong in our belief at this, that no property should be exempt from local taxation. Any abatement of taxation would be solely at the discretion of local council and then disbursed on a grant basis. To follow up what Mayor Brady pointed out this morning, if it is given solely to council then, of course, I'll pack council with about eight clergy on it.

Secondly, where Crown properties are involved and cannot be subject to local taxation, a grants-in-lieu act should be put in place, giving authority for the payment of grants equivalent to what property taxes should be.

Now it has been mentioned this morning in a previous brief, it was commented, and the suggestion was put forward of using a percentage of basic income approach to raising revenues for education. We believe it's one aspect that needs consideration. When we were first invited to take part in this conference, we were told to let our minds go free, to come with all sorts of suggestions no matter how weird they might be.

Well, I don't think it matters from which group the suggestions come. Whether they seem to us to be weird at the time or not, I think the time has come for us to look at all suggestions that are placed before us. This one, of a basic income tax, I think it needs to be looked at. I think, along with that, we'll have to consider the opening up of other avenues of taxation to local government.

Let's look at it. Should municipalities be given the power to levy income tax, or a tax on motor fuel, or to receive certain point or points of sales tax such as in South Dakota: 6 per cent sales tax; 1 per cent returned to the municipalities for municipal government. There are all sorts of alternatives. And I trust the commission and ourselves together, all the groups, over the next period of time will look at these alternatives.

It's rather interesting that in the mid 1970s there was a tri-level task force appointed by the federal, the provincial, and municipal governments; a task force on public finance in Canada. Now granted this was in the mid-'70s. We're approaching the mid-'80s. Yet, I believe that many of their conclusions are still valid today. Out of that task force report, the Federation of Canadian Municipalities produced a document called, "Puppets on a String," in which it referred to the municipalities being like puppets on strings pulled by the federal and provincial governments.

Some of the conclusions reached, and I won't read them all -- you've heard several of their quotes in our presentation. But one that stayed with me down through the years was this one:

> The tri-level report showed clearly that Canada's system of public finance generates enough money to satisfy the needs of all three levels of government.

It goes on to point out:

> That the essential problem is that the revenue base of municipalities in Canada has not expanded to meet the demands put upon it by urbanization.

I think that that report came out of the situation in 1978. But we still face today the same dilemma that has municipalities and governments of the day, and then the dilemma, the demand for services without an adequate tax base to enable it to raise the necessary revenues to meet those demands.

And so we're all in favour, Mr. Chairman, of all of us looking at alternative sources of broadening the tax base, and that looking at the alternative sources of broadening our tax base might be considered either by itself, in isolation, or in conjunction with the thought of the removal of education costs from property tax.

Variable mill rates. Since this was first breathed as we've gone about the province, we have not found very much support for the introduction of such a concept among our members. But, however, as we're looking at everything, let's look at. It may be that if assessment is used for municipal purposes only, there might not be a problem. It's when other services begin to make demands upcn the assessment that the matter of a variable mill rate could become quite sticky.

It might be that down the road it would come about that it would be legislated that municipalities will have permissive legislation to introduce it. Nevertheless, along with everything else, I think looking at a variable mill rate needs to be looked at. In other words we believe that no stone should be left unturned in the search for a system that will provide municipalities with sufficient resources to help them meet their responsibilities.

I come now to revenue sharing -- capital. We've been long concerned that municipalities have had considerable difficulty in mustering sufficient resources in order to carry out their public works. It's this area of capital funding that we require the support of both the provincial and the federal orders of government. I'd commend to your reading -- and perhaps you've already done it, I believe you have -- but to everyone that's here today, the report done for the Federation of Canadian Municipalities by a Task Force on Municipal Infrastructure, submitted in June of this year. It describes in great detail what is happening to the infrastructure in communities right across Canada, and communities in Saskatchewan are no exception.

SUMA in 1984 carried out a survey among our membership, having them indicate to us what they projected to be their needs for capital funds funding over the next five years. One of the reasons we did it was in preparation for this report. But from time to time we've heard somebody question us and say, hey for the last 11 years you people have been receiving grants for capital works, all your capital works must be finished by now. Oh, you should see the list that came in from all our municipalities of the capital works that are projected throughout this province over the next five years. Now that's for new work.

What is of equal importance is the matter of present day infrastructure -- the roads, the sewer lines, the water lines, and so on. Municipal infrastructure does deteriorate; it requires not only the renewal, but also expansion, and it takes a tremendous number of dollars to achieve it. Now municipalities themselves are hard-pressed to raise the funds necessary to meet these needs.

When I first came to Saskatchewan just about 25 years ago I came to live in a very small community. It was while I was there that a great thing that happened to that community, that village, was they received sewer and water. That's 25 years ago. It was a great day in the life of that village. But now 25 years later, that village along with dozens, scores of others, are facing the fact that those water and sewer lines put in then now have to be replaced. It's not only in our larger communities, but also our smaller ones that they have to come to grips with this problem.

If we're to maintain and enhance the quality of life in our smaller communities, as well as our larger ones, we have to provide the necessary services that contribute to that enhancement.

Now the present community capital fund has been a tremendously beneficial program. I've never heard one community yet, but what have said, expressed their appreciation of that type of funding which has gone on for the last 11 years. It's coming to a close March 31 of 1985. We are most concerned that there be something to replace it. But as it gets replaced, there are a few little wrinkles that need to be straightened out. For instance, we take the small community, it's a five-year program, it might take them four years to raise their portion of their share of the costs of that project. And by the time they get it the value of that dollar which was instituted at the beginning is less than what it was. We feel that it needs to be an index and component put into it.

In talking about capital funding I mention not only new capital works but also the replacement of present day infrastructure. I think it's necessary for all levels of government to realize that the ongoing support of municipal capital programs is an investment. It's not a handout; it's an investment in the overall infrastructure of Saskatchewan. It's something more than an expense, and say, we emphasize, that's an investment. We asked that it would be a long-term commitment for the support of the growth and replacement of community infrastructure.

Now, I'd like to read a quote from that report that I mentioned that was done by the Federation of Canadian Municipalities because this brings me to the final point that I want to make about capital funding.

> An intergovernmental partnership should be established which would bring the combined and co-operative efforts of the three levels of government to the solution of the infrastructure problem. The opportunity exists to reconstruct our urban infrastructure to make our urban areas more competitive, to strengthen Canada's economic recovery, and at the same time, to employ large numbers of Canadians in these labour-intensive works.

Ladies and gentlemen, we believe that the matter of capital funding for municipalities, both new projects and the renewal of old ones is something that is far beyond the financial capabilities of municipalities. We believe it's also beyond the capabilities of even the province and the municipalities together. We think it is something that is of a tri-level nature, and requires funding of all three levels of government -- all three levels.

Now what we have been concerned about in the past when, for instance, the federal government has instituted a program towards capital funding, it's been done in isolation. They have dreamed up the program, and if by chance you qualify, then you apply for the funds. What we believe most strongly needs to happen is that there be a tri-level process whereby the three levels of government, federal, provincial, and municipal, are together in the planning, as well as in the financing, and in the long-range planning.

We, at the municipal level, know what is the best kind of program for our capital funding. We know best because we're living with it. Surely we can contribute to the planning of such a program. And any program of the magnitude that is required across Canada can only be of benefit to the whole country, as well as to the municipalities individually. Such capital spending will supply employment because they are job-intensive works, thereby reducing the amount spent on unemployment insurance and collecting more from income tax from the workers.

But we are very determined about this. We're very sincere that municipal governments offer themselves to the provincial governments to work with them and with the federal government in devising capital funding programs for all of Canada.

And I'd speak to our ministers who are here today -- I was pleased to hear via the news media in the last few days that the Prime Minister is calling together a first ministers' conference to deal with the economic situation -- they would strongly ask and respectfully request that this matter of tri-level capital funding be on the agenda and that, if possible, to discuss such an item on the agenda that the Federation of Canadian Municipalities be invited to participate and they, as a provincial organization, would be more than honoured to be part of the provincial delegation.

I must go on, Mr. Chairman. The rebate system has already been remarked upon. We have great concerns about the rebate system. We, as an association, adhere to the principle that local government should not be called on to levy a tax and then have the provincial government pay a rebate to the taxpayers on the apparent basis of refunding an overcharge of taxes imposed by those "dirty beggars," the local government. Certainly the system seems to imply that the local government has overcharged the taxpayer. If there is going to be such a tax rebate program, at least we think it should be deducted at source at the time of payment of taxes, rather than the involved process of collecting, then repaying.

I know for political reasons it's great that mean old Mayor Lewry raises the taxes in Moose Jaw, and the people curse him. And then, lo and behold, the wonderful Government of Saskatchewan sends me a nice rebate, and I'm all for that. But let's face it. It's politics, and I know I'm supposed to be a politician, and so is the Government of Saskatchewan. When we're dealing with money and with the concerns that we have today, surely there's a better way of using our money than that.

Mr. Chairman, I'm coming to the end. I'd like to read a few lines in conclusion.

There is room for many debates on matters broached by this presentation and the others that have been raised today. I wish to point out once more the diversity of the make-up of the membership of our association. Their needs and desires are somewhat the same, but, as you can appreciate, communities like northern municipalities with their new-found municipal status and limited local taxation base, resort villages feeling the pressures of demands for service from a largely non-resident population, large cities with their public transportation placing and social pressures, smaller cities and large towns striving to provide and enhance the attractiveness and life-style of their communities, and mid-size urban communities faced with the cost of providing police protection, villages seeking to survive as corporate entities in order to give their citizens a way of life they wish to pursue -- it is essential for the province, and indeed the local governments, to recognize their diversities and the individual needs.

So in considering solutions and programs to help them meet their needs, with a desire to be fair to all, we must seek universal solutions that will serve the majority of the needs, while at the same time addressing the diversities.

And finally this. As we look at all these problems that have come down through the years, and as we begin the second century of municipal government, we ask two questions: If not now, when? And if not us, who?

Thank you very much, Mr. Chairman.

MR. CLAYTON: -- Thank you, Mr. Taylor, for the presentation on behalf of the Saskatchewan Urban Municipalities Association. We thank you for the substance, and we commend you on the eloquence with which it was delivered.

We now open it up to questions from our commission members.

MR. ROWLATT: -- Mr. Chairman, I'd like to start this off, and I think we all have a lot of things we would like to follow up here, with two kinds of questions, and I'll take them one at a time.

In your paper, and we've heard this morning from our SARM friends, from SSTA, that perhaps education ought to be moved out of the property tax, if not all the way, according to some, at least half the way according to others, leaving a fair bit of tax room, if you will, more than enough tax room to replace all of provincial government funding for both urbans and rurals, according to the proposals from both groups today.

There's enough room there to replace the operating money and, indeed, the capital money that comes both conditionally and unconditionally. Is it fair to say that SUMA is saying: if these directions could be followed we would be happy to live off the property tax forever, and that all of these other things like revenue sharing and capital revenue sharing, might indeed be unnecessary? The room is there.

MR. TAYLOR: -- First of all, you say forever. In a municipal government we're not allowed to commit one council to the next year, sir. However, we have believed all along that as far as the revenue sharing operating, we certainly feel that this should certainly be negotiated, and we do have belief that we could be without revenue sharing, all things being equal. We had access to property tax, but also there would have to be some working with the rebate program and other types.

As far as capital, sir, no. I think the amount of money that is required for capital programs and infra-structure is far beyond that could be raised locally, and as I said in my presentation, even with the support of the province, I think it's far too mammoth if you take the province as a whole.

MR. ROWLATT: -- May I just pursue this a little bit? The numbers, indeed, over the last decade, I clearly suggest that the size of the provincial transfer for both operating and capital to both orders, or both SUMA and SARM, are less than the kind of moneys that we have been talking about in both the SSTA proposal and the notion of totally backing education off the tax break. The numbers clearly suggest, I suggest to you, that there is indeed more than enough room there to replace capital as well as operating.

MR. WANKLING: -- You will note in Alderman Taylor's comments he made reference to two other orders of government, including the federal level of government, and we, as municipalities, believe that there are requirements where the federal treasury should be involved, and that would be particularly in the capital financial area, and I think that if we totally backed off from funding from any other source, i.e., provincial or federal, to go to our taxpayers, we would be making a serious . . . that is, the local property taxpayers, we would be making a serious mistake. I think we would close the door to the possibility of that federal funding.

Now what you're saying seems to me to suggest that we do that, because you are saying that we would now have sufficient resources out of the local property tax dollar to do everything, and we wouldn't have the opportunity, I think, to have access to those federal funds, albeit there are not many federal funds available at the moment for that purpose, but I don't think we should consider closing the door to that.

MR. ROWLATT: -- I was not suggesting we ought not to try to get money from another level of government if we can, but let's just stay with trying to solve our own problem for the time being and see how we can do; and I continue, and I think we haven't quite dealt with this question. If the suggestions you are proposing were to be acceptable to the other people involved, I submit that there is room, both for operating and capital, to meet your needs, and would your level of government find that a comfortable thing to do? . . . (inaudible) . . . earlier today asked a similar question.

We complain a lot about the property tax base, but, in effect, it seems to me you're saying, "But please let us depend on it almost entirely."

MR. WANKLING: -- That is one of the alternatives; we've suggested that if you're not going to provide us with that alternative, then we suggest that you provide us with some other sources of income, tax sources. We've suggested that as an alternative as well. So that we would not be totally laying the cost of local government expenditures on the doorstep of the property holder only.

MR. ROWLATT: -- Fair enough. If that alternative were not available, then quite properly you say, "What are the other options?" I guess I am saying, "If that option were available." It's a theoretical question, but that's what we're into here. If that option were available to you, would you find that satisfactory?

MR. WANKLING: -- Yes. I think to some degree we would have to say yes to that, excepting -- and there's always a condition in these kinds of things -- one of the difficulties that we experience right now, and it might be overcome if the assessment question were to be answered, that is, bringing assessment up to currency and equity -- if that were overcome I think we could live with it, but if that's not overcome, and there's no indication at the moment that it is going to be overcome, then we have a tax base that is very slow to react to the economic realities in the running of our communities today. And so, if that situation continues to persist and exist, then we have to have access to some other kind of revenue that does react more rapidly than does the property tax source.

DR. LANGLOIS: -- I'd like, if I might, Mr. Chairman, to pursue in the same vein and then move into assessment, if I could.

Correct me if I'm wrong, but I understood you basically to say that you would like the school boards to vacate the property field, but you're not quite prepared to say that you are prepared to vacate the transfer payment field.

MR. TAYLOR: -- When you talk about transfer payments, you're meaning revenue sharing then? Yes, we have said all along, sir, and maybe I didn't make it clear, that if we were to have property tax to ourselves, certainly we couldn't expect to receive it from here and from there all the same as we are receiving now. That would be unrealistic and not good management. We certainly would feel that if we had the property tax to ourselves, we would have to be prepared to give up some of the other transfer payments that we are receiving. Certainly.

DR. LANGLOIS: -- To what extent? All of the transfer payments?

MR. TAYLOR: -- We'd have to downplay the numbers game, sir, when we're getting down to serious negotiations. We won't make a blank statement on something like that. And certainly we have to be realistic and realize that, certainly, we couldn't expect the best of two worlds. No way.

MR. WANKLING: -- Just to follow on that, we have included as an appendix with our brief, under Appendix II, a copy of the brief that was jointly prepared between ourselves and the SARM. On page nine there, we have put forward a suggestion, because the question has been asked many times before, if the province moved in to totally fund education, where are they going to get the funds from, and we have suggested, and you will have to appreciate that these numbers are relative to the 1982-83, I believe -- no, '83-84 -- we were suggesting that the revenue sharing program could be -- in the operational field -- could be done away with. That's a trade-off, obviously, and we've suggested that that is something that could be seriously considered.

Now, having said that, that means that we as a local government would be moving away from the position of accessibility to the growth type of taxes, revenues derived from what I'd call growth taxes. And that's a concession we would have to seriously consider. Having fought long and hard through this association with our colleagues to have the principle of revenue sharing accepted by the provincial government, it would represent a moving away from that position.

MR. CLAYTON: -- Dr. Langlois, if you're going to carry on, on this particular line, fine. If you were going to move on to something else, there was a further question I would like to ask.

I believe in the appendix that you referred to, Mr. Wankling, you were suggesting that if the provincial government were to consider picking up the entire costs of education, that your organization and the SARM, which was a partner with you in putting that particular brief together, would at least give serious consideration to foregoing revenue sharing; also that the rebate program, the property improvement grant programs, might also be discontinued. I think you also suggested that just to make the numbers work out, there would, in addition to that, have to be an increase in provincial income tax, as one suggestion, in order to make up the total cost that is currently . . . the current local cost of education.

I guess the comment I would want to make on that, first of all, is that I think you are to be commended on that kind of approach. It shows your willingness to provide trade-offs. It shows your willingness to accept the fact that there isn't just a big pot there that the province has available that they can dip into, and I think that is a very encouraging kind of sign. It seems to me that that sets the kind of atmosphere in which we can talk and make progress.

I have a question, though, in that respect, and I'm thinking in part of the comment that you made, Mr. Taylor, about the village of Strongfield getting a very high percentage of its expenditures funded through revenue sharing. I suspect this comes about because of the equalization component of revenue sharing, and that makes me wonder, then, if revenue sharing is done away with, how then do you compensate for the fact that there is quite a wide variation in the local tax base, the local property tax base; that in one community you may be able to finance municipal services quite nicely from the property tax alone, while in others, perhaps that just isn't enough? And if there aren't examples in southern Saskatchewan of that, then certainly there won't be in northern Saskatchewan where there is very little in the way of a property tax base.

How would your organization propose dealing with that sort of thing?

MR. TAYLOR: -- We have a very weird and wonderful solution to that. I'm just trying to find it.

This is good. Listen to this one.

MR. WANKLING: -- On page 13 we attempted in some way to address ourselves to that. We're certainly not specific as to detail, but nevertheless we recognized, along with our colleagues from the SARM, that you do have the situation where communities do not have sufficient local tax revenue out of the property tax base in order for them to provide the basic services. This, I think, is true probably as much for the R.M.s as it is for the urbans, and so we've suggested that there be a system -- certainly the province has already been into that system. I'm not sure that I understand it all with respect to health services in terms of having a health revenue act, that was indeed a levy in some communities, a mill rate for redistribution. The principle, however, is there, and our suggestion would be that the province would be the facilitator of this, but some measure of equalization would have to be considered by way of the province levying a mill rate, with certain limitations -- I must say that -- and then redistribute that amongst the municipalities.

This would have to be done for urbans in the one case, and for rurals in the other case. I don't think you'd throw them in the same pot. But that's -- we haven't thought out all of the details of that. I think that it is achievable, however, and is something that would have to be considered, recognizing that there are some municipalities that, even if they had total access to the local property tax base, would not have sufficient funds to meet their needs.

MR. CLAYTON: -- It's my recollection that approximately $25 million is distributed to urban municipalities through the equalization component of revenue sharing, which is a pretty substantial amount. If that same magnitude of funds had to be there to achieve equalization under the scheme you suggest, it would be, I think, a fairly sizeable amount; and at the same time I also thought I heard you saying that equalization at the present time does not quite go far enough, that it doesn't quite do the job that it should, and that there should be more for equalization. So I guess what I'm really raising with you is the question of whether or not that isn't a rather huge amount that would be involved for redistribution.

MR. WANKLING: -- Yes.

MR. CLAYTON: -- That was a good short honest answer.

MR. LINNER: -- Just to come back to what I think I heard Mr. Wankling and Mr. Taylor say a minute ago when Mr. Rowlatt was pursuing with them the scenario that all local municipal finances would come from taxes, assuming that $60 million in revenue sharing goes over to education. Did I hear the concern -- I think I did -- that that would then leave the municipalities at more or less the whim of the economy because property taxes then don't react quickly enough to the economy, and therefore, presumably, an ill day in the economy would leave municipalities at some peril.

That runs absolutely counter to what I believe to be the foundation of property taxes, probably far more stable than anything else anyone could rely on. Property taxes are based on a property, whether it's producing revenue or not, and therefore it does give what is the desired element of stability -- things like income tax or fuel tax are subject to the vagaries of the economy. Why would there be a concern about property tax stability reacting to the economy? It seems to me that would be the best of all worlds because then, for example, we would not rely on provincial economy where the provincial government is sitting here saying, "My goodness, we're going into deficit to keep the municipalities running at par." Property taxes, it's a charge against property. While this year that business may not generate any dollars off it, over the long term it does, and surely that's . . . (inaudible) . . . What is the concern of property taxes in the total source of municipal revenue vis-a-vis the economy? I don't follow that argument.

MR. WANKLING: -- Thank you, Mr. Chairman. I don't quite know how you got what you got, the way you repeated it back to us. I don't think that we attempted to say that there was instability with respect to the property tax. What we have said for years is that in the economic milieu* in which we live today, the costs change very quickly. There is an inability, in our view, for the property tax base to respond equally as quickly. There is an ability, however, for other forms of taxation to respond to those changes. That exists today, Mr. Linner, I'm sure you're aware, with respect to the current revenue-sharing program, because the revenue sharing -- I'm speaking with respect to urban government now, because the urban government revenue-sharing program at the present time, while it has a base amount, and there's never a guarantee that the government will relieve that base amount, but nevertheless the increase to that pool on an annual basis is dependent upon the changes in the revenue growth -- well, it was from four taxes to three taxes.

So there would be a concern with respect to that as well, as what you're apparently saying, that if we had direct access to those sources of taxation, they would drop, and we would have to suffer the consequences. We have to do that now, so I said that in the trade-off one of the things we would have to consider, in so far as revenue sharing is concerned, is that we have now an access to those, what we describe as growth taxes, and if we gave that up and we were not given any access to the growth taxes on a direct basis, then we would be totally out of tying* our wagon, so to speak, to growth taxes, which I agree, it can go up, and it can go down.

But I don't think -- it didn't come out what you said, what I thought that I said.

DR. LANGLOIS: -- I'd like to follow up a little bit, Mr. Chairman, on the proposal -- I believe it's on page 13-14 of your submission, which I interpret as being, in effect, the levying of a provincial property tax for the purpose of equalization among municipalities.

I'm intrigued by it because, at least in principle, it strikes me as being somewhat counter to many of the arguments that I've heard over the years about the property tax and who should have access to it, and so on. In that light, I'm also wondering if, in fact, I read this right. Are you in reality proposing a provincial property tax to be redistributed admittedly back to the provinces? What kinds of distribution formulas would need to be developed? It seems that in all transfer payment formulas there are always some shortcomings.

Are we not just changing one set of problems for another?

MR. WANKLING: -- Yes, you read it correctly. We are suggesting that it is a provincially levied property tax. I don't think that this is new. I tried to get an analogy to what is being done right now under the health revenue act, as I understand it. I may understand it incorrectly, but I would say that this system is in effect for education purposes, I know, in Manitoba. I was associated with a municipality there that had to contribute to a provincially levied mill rate into a central pool, which was then redistributed, in order to achieve an equalization.

I must admit we used to beef and complain about it, but nevertheless that's the methodology* that was used to achieve equalization, or attempt to achieve equalization. So we're saying here we think it's something that is worth looking at, as a possibility of achieving that equalization.

MR. LINNER: -- Mr. Chairman, just to come back again to a little bit of assessment, but I won't try and say what I thought you said, or I thought I said, Mr. Wankling.

SARM, through Mr. Phelps and Mr. Wilkinson, made the point this morning, leading in the direction that property against . . . or taxes against property is not a fair measure of wealth or ability to pay. If we follow what we were talking about, is it the position of SUMA that, in fact, assessment against property, providing it's current, consistent and equitable, is, in fact, a fair measure of ability to pay for those local services, be they local services to property, or expanded to include health? Do you accept that assessment if equitably, currently, and consistently done, is in fact the desirable or best way known to us at the present juncture to collect those taxes, or do you go somewhat in the direction of SARM?

MR. WANKLING: -- I should firstly say, Mr. Chairman, that I think assessment is a means of valuing property, determining a value of property. Assessment is not something that you use to determine the wealth of whoever owns the property.

Now, having said that, we feel, I think, and my President will correct me if I don't say this properly, but we feel that if the achievement of what we've said with respect to assessment comes to fruition, then we will achieve a more equitable distribution of certainly the local tax load amongst property owners.

One of the things that we have some problem with, and maybe I'm digressing, is that we have some difficulty coming to grips with why certain members of our society, because they choose to own land, should have to pay taxes to support certain services, while others who choose not to own land, at least not in a direct way, don't pay the same taxes to receive the same services. We have some difficulty with that.

MR. TAYLOR: -- Mr. Chairman, I just want to follow up and make a comment, a question that Dr. Langlois asked, and I'd like to point out that you're asking about that provincial property tax, and it sounded a bit weird.

We were just taking you people at your word to try anything wild and wonderful. This is the best exercise or best . . . (inaudible) . . . you're going to have to throw everything into the pot, so we decided that we weren't going to be rigid and just follow the old party line. We'd throw everything into it, and while it might sound weird, let's have a look at it. It might turn out to be the best thing since sliced bread. It might be terrible and we wouldn't touch it with a 10-foot pole, but we're going to look at everything.

MR. CLAYTON: -- Thank you.

MR. ROWLATT: -- I'd like to change the direction of the discussion if that's fair enough. I'd like to go back to our long-standing preoccupation with autonomy, which we have been at a fair bit today and, I hope, a lot more tomorrow.

A good deal of the quality of life in our province, it seems to me, is the local decision making that goes on. In your brief, Mr. Taylor, you quite eloquently, in the very last of it, talked about how essential it is for us to recognize the diversities and the individual needs within our province, something that I think we all believe in quite fully. But that applies to schools, to libraries, to health needs. The possibility for differences in our school system to face up to diversities in our school system takes us to the question of autonomy, and if we agree with you, and I think we do indeed, that these characteristics of our province are fundamental, then can we afford to take away from local school boards a sense of autonomy and therefore ownership in those communities? And from the health sector, and from the library sector?

Can we afford in any way to endanger this sense of local diversity, of decision-making capacity, and of the ability to be diverse, which, indeed, I think we want. And if that is going to be in danger, then do we really want to move these groups off of local sources of money?

MR. TAYLOR: -- Mr. Chairman, as an answer to Mr. Rowlatt, by no means would we ever want to see these bodies lose their autonomy. We greet them as people who are as desirous of serving the citizens of their community as much as those of us who are elected to municipal council. No, we feel that they should have their autonomy. The only thing we are saying is let them keep their autonomy only in the course of all these discussions. Let us see if we cannot figure out some other method of them receiving local funding, over which they would have control, other than property tax.

Now there are other avenues that could be looked at, and I hope that during the -- maybe tomorrow some of them will surface. If certainly not tomorrow, during the months of on-going discussion we might be able to come up with other sources of revenue that could be available at the local level to these bodies and leave the property tax to those things which are related to property.

MR. ROWLATT: -- . . . Take us back to this morning's discussion, because I think I asked what was a similar question indeed. The answer is a little different, and that's fair enough. You are saying, as I guess some others are saying, that local taxing authority, wherever it comes from, is essential for autonomy and decision-making. Is that a fair representation? Now I'm saying it may be something other than property tax, but my question this morning said: can you have autonomy without any capacity to spend any of your own money? And you're saying to me, "Gee, you've got to have some of your own money, but let's talk about where it comes from." Is that fair?

MR. TAYLOR: -- I think, sir, that you can have local autonomy without actually having a source of funding. But I'm willing to concede this: that if, in the course of all our discussions, it turns out that local autonomy cannot be arrived at without some source of local taxing powers, then we've got to find a way for it.

Personally I lean more to the belief that it can be legislated. If it can be proven to me . . . you see, what I'm trying to do is to approach all these discussions from the point of view that my mind is not closed. Up until now it's been really closed, that you can legislate autonomy.

Okay. I'm trying to have an open mind. During the coming weeks and months it might be proven to me that it can't be done that way. There's got to be something. The only thing that I really got closed on right now is that we still want the property tax and let's find some other way. If they need that source of local funding, let's look at how we're going to do it.

MR. MAGIS: -- I was going to keep out of this, but I think it's time that I stepped in.

It comes down to your definition of autonomy. When you come down to the definition of autonomy, what it comes down to: is it running a board with funds provided by some unknown government, whether it's local, federal or provincial, saying, "Here is the money. You do with it as you see fit," or is it providing services which may be desirable, notwithstanding that funding is not sufficient to cover it all?

We had examples today, from the way I interpret it, the library people are quite content with the autonomy that they have. I believe they said they have autonomy: they don't want any changes. Yet why are they different than other organizations that say they want their autonomy? The library board are providing services for the community with the money that is provided either by the provincial government or locally optioned or a locally agreed contract on a local basis with the people that are members.

Why can't we go on to this, and also let these other people say, "This is the money that we've got; this is what we will budget for; this is what we will have."

You will have complete autonomy. I think it comes down to whether or not people can tax, other than the provincial and the federal government and the municipal government. Who are going to be the taxing authorities?

MR. ROWLATT: -- This is a good example that the library people are saying they don't mind their current level of autonomy, because indeed they do have a capacity to draw on the property tax base. I ask the question: would they feel like they had autonomy if they had one banker; if they had no draw on the property tax base and were solely dependent upon a decision made in Regina? Would they feel autonomous?

MR. MAGIS: -- The tax base that they receive, at least in some centres, is negotiated with a local council. The library people do not arbitrarily come to the municipal taxing authorities and tell us, "This is what we want, and by statute this is what we will get."

There, sir, is the major difference between the autonomy that they have, and the autonomy that the health care has and that the school boards have.

MR. CLAYTON: -- I think the delegation from the Saskatchewan Library Trustees Association would probably like to have something to say about that. I can just see them squirming in their seats, ready to get into the discussion. I'm going to ask, however, that you wait until tomorrow morning when we will have the opportunity to engage in an interorganizational discussion.

MR. THIESSEN: -- I just wanted to make the comment that I don't think there's a person in this room that doesn't believe in autonomy. But I think when autonomy first approaches and starts to take away what I've worked all my life for -- and what we're really talking about is the sensitivity of what's going on in today's society, and the sensitivity especially as rural governments find it, and what's happening today -- that's what we have to be concerned with, and let me tell you that when you approach me and take away with your autonomy my right to my life savings, I'm not too very worried about autonomy.

DR. LANGLOIS: -- I wasn't going to pursue autonomy. I was going to go into another direction. It was assessment, if we're finished with that particular issue.

In your submission, President Taylor, you identified two difficulties with the valuation of property. You said you had difficulty in finding fair bases for valuation, and secondly, the difficulty in maintaining value at current levels. Which, in your opinion, is the bigger problem?

MR. TAYLOR: -- Mr. Chairman, I'm very fortunate in that I have a colleague who is an expert on assessment. Mayor Boxell is going to answer all the questions about assessment.

MR. BOXELL: -- Yes, thanks, Mr. Chairman and the commission. Which of those two problems are the most? I would presume that with the assessment authority as it's been up to now is keeping the assessments current, and up to date, maintaining and updating the present assessment. The values, of course, as set out in the manuals, and that is a process that would take some time to correct, we noted -- and I think SARM noted in their brief, and we did too -- that what we are asking that we have municipal responsibility or input into the forming of those assessment manuals as such, and, of course, then apply them, such as the manual applies.

But I think facing us now, and assessment has just come to forelight in the last four years, is the updating it after so many years it has been behind so far. And we must say, and we should at this time give credit to the assessment authority and the assessment people who have been in the past years been underfunded and understaffed in order to do the jobs that they had to do, and it has just come to light that we are taking some interest in the assessment field.

I don't know if that answers your question, but thank you.

MR. LANGLOIS: -- Mr. Chairman, I'd like to pursue a little further your proposal that the assessment function be undertaken by, I believe you say, some form of local government authority. I'd like you to discuss that a little bit, and perhaps I can make a few points.

My reading on assessment, in fact, is that one of the reasons that it moved originally from municipal authorities to provincial authorities was that there were a lot of political, local political decisions made with respect to assessments, and consequently a fair amount of diversity within a jurisdiction such as a province, or a state in the United States, and that kind of thing. So that the reason it moved to the provincial level, in fact, was to make sure that there was more consistency in assessment.

How would your proposal improve the assessment procedures? You said just a few minutes ago that, in fact, if the assessment authority had had more people and more money, then probably many of the problems we are facing today wouldn't be there. Is that maybe the solution, rather than changing the whole structure and changing the governments of assessment?

MR. BOXELL: -- There has been serious thoughts over the years as to the process. I should point out that the assessment authority has always been under . . . to my knowledge, under the provincial government. It has been bantered from one minister to the other, and backwards and forwards, but it has never had a concise boss, if you would say, or a board that could give it some guidance. It has been treated as local people call it to a job that they don't, no one wants to do, as assessment would assess. But we've had two or three suggestions previously, and there is presently, as the chairman is still chairman of it, an advisory board which partly takes care of the suggestion that SUMA made in their presentation to the government some time ago.

But what they're saying is that we need a board made up of people representative of these associations, these taxing associations that are here today. We're saying of the two municipalities that collect the taxes should be the two people that belong on the board, and along with government representatives and a board that has some teeth, some power, same as your highway traffic board, or any such board.

And then the assessment authority would work under direction of those people, and of course one of the major projects would be to look at the manuals and see if they were fair and such like, as well as the application of them.

MR. CLAYTON: -- Thank you, Mayor Boxell. We could pursue this question a bit further, but unfortunately it's now 5 o'clock, and it's time to adjourn.

I've been advised by the Sergeant-at-Arms that this room will be secured immediately upon our departure, and that therefore any of you who would like to leave your materials behind at your desks or chairs can do so and feel safe in doing so.

Just a word or two about this evening. I think most of you know the banquet is going to be held in the Regency Ballroom at the Hotel Saskatchewan. There will be a no-host bar beginning at 6:30. The banquet will begin at 7:30. We hope you will take this opportunity to mix and get together and know one another individually. We have tried to make sure that we didn't get all SUMA delegates at one table, and all SSTA delegates at one table. And the way we've tried to control this is to assign you table numbers, and those table numbers are indicated on your banquet tickets. If you happen to misplace your banquet ticket, we do have alphabetical lists there to remind you.

So we'll see you there, and I'll remind you tomorrow we start at 9, not 9:30. We'll see you tonight at the banquet; if not there, tomorrow at 9 o'clock here.

WEDNESDAY, SEPTEMBER 27, 1984

Morning Session

MR. CLAYTON: -- Good morning, everyone. Thank you. To show that I'm a man of his word, it is 9 o'clock sharp, and we're now started.

It's great to see you all out again this morning. I see a lot of pretty bright shining faces. I don't know if this is all going to last throughout the rigours of the day, but hopefully we will have some viable discussion to keep us all interested and alert.

Yesterday we began the morning with some remarks from our Premier who talked about the importance of local government. He spoke about the value of the consultative process. He gave a bit of background leading up to the formation of the commission. He also spoke about the willingness of the government and the desire of the government to hear the results of our deliberations and undertook to say that there would be action upon those, that they were prepared to act as a government and to act soon. That's pretty encouraging words.

We also had briefs presented from our five local government organizations that are here again today. We had the opportunity for commission members to enter into some discussion with the organizations subsequent to the preparation or the delivery of the briefs. I think those discussions were a bit shorter than what we would have liked. It seemed that we ended up terminating our discussions when we could have profitably continued. But we will have more opportunity for discussion today.

Nearly everyone on the commission itself, and certainly everyone that is here an official delegate for one of the local government organizations, has a fairly extensive background in experience in local government. Now that's good. But I suppose like anything else, when you are working in a particular area over an extensive period, you can develop, what you might call, biases. You can develop particular ways of viewing the world, and you may tend to get locked into viewing the world in those particular ways. This is one of the reasons why we have invited our two guests to be with us this morning. It's our hope that they will provide some somewhat different perspectives on the subject matter we're dealing with. Hopefully, we'll have our minds stretched just a little bit as a result of their presentations and the discussions we have with them.

Dr. Enid Slack, who I will introduce more formally in a moment, is certainly a student of local government, not of Saskatchewan, in particular, but certainly all of Canada, and a student of local government elsewhere. I think that knowledge of local governments elsewhere can be a real help to us in understanding ourselves. Situations, conditions, problems, solutions elsewhere are not necessarily comparable or applicable to us here in Saskatchewan. That's not really the point. The point is that by understanding the experiences and the problems of others, we can understand ourselves, perhaps, just a bit better.

Dr. John Brennan would not claim to be an expert on local government. We did not invite him as an expert. He does not claim to be an expert in this particular area. But we are hopeful that he will provide us with some insights as well from the vantage point of the taxpayer -- from the vantage point of the user of the services that our local governments provide, and also some perspectives from the private sector which he would tend to deal with more than he would the public sector.

Dr. Slack, whom you will hear from first, was born in Ottawa. We'll forgive you for that, Enid. She had took her primary and secondary education there; took her honours B.A. at York University; Master of Arts at the University of Toronto, and also her Doctorate at the University of Toronto. She has had any number of academic honours that I will just . . . I won't read them. They're rather lengthy, but she has quite a number of very impressive academic honours. She is currently operating her own consulting firm. She has served as a consultant in public finance for the Ontario Economic Counsel. She's been a lecturer at the University of Toronto. She's published a number of documents, articles, books, Residential Property Tax Relief in Ontario, Can Property Taxes Be Reformed?, Personal Income Tax Surcharges For Municipalities, Urban Public Finance, a book that she co-authored with Richard Bird*, and there are a good number of other papers and publications that Dr. Slack has been responsible for. I think it is quite evident that Dr. Slack is very familiar with the kind of subject matter we have been dealing with and will deal with over the balance of this day.

So at this time I would like to introduce to you, and welcome, Dr. Slack.

DR. SLACK: -- Thank you very much for a very warm welcome. It, I think, makes up for the cold weather and the snow. If I listened to you correctly, I think my task this morning is to take these bright shining faces and stretch their minds. So we'll see what I can do on that score.

What I wanted to do today was concentrate my talk on the revenues of local governments. John Brennan and I had a brief phone call last week. And I said, "I don't know anything about expenditures. You talk about expenditures, and I'll talk about revenues." So hopefully that's the way it'll turn out.

The background paper which was sent to me last week certainly addresses many, many issues on local government. I can't possibly cover those in the time that I have, but I would like to raise some of those issues and some other issues as well. Perhaps in discussion, if I've missed some, we can go back. I've really divided my talk into three broad areas: property tax; provincial grants; and then other revenues, and I'd like to start with the property tax.

The property tax is the largest, local source of revenue. In Saskatchewan it accounts for less than 50 per cent of total local operating revenues. That means a little less reliance on the property tax than in other provinces, but it's still a very significant source of revenue to local governments.

Well, there's certainly a perception (I don't know about the reality, but there certainly is a perception) that the property tax is a bad tax. People just love to jump on the property tax. And there are three basic reasons why it's perceived to be a bad tax.

The first reason is that it's considered to be regressive, and I'm sure you've talked about this over the course of the conference. That just means that it's a tax that is perceived to bear relatively more heavily on low income people than on high income people. And for that reason, it's considered to be a bad tax. It's also considered to be an inelastic tax. In other words, the revenues don't grow automatically over time. The assessment base doesn't change very frequently, so that if you want to have property taxes increase, you have to raise the tax rate. Other taxes are not necessarily like that. They just grow as the economy grows without you having to increase the tax rate.

And one of the other criticisms of the property taxes is that it's unrelated to benefits. There are a lot of services that the property tax finances that have no relationship to property. And that's something that economists have talked about for a long time, about the benefit relationship of property taxes, but it seems to me that this is gaining currency, that people are really jumping on the benefit argument these days. And I'll come back to that.

Having said that it's perceived to be a bad tax, I'm now going to tell you that I think it's going to be around for a long time. The property tax is the only truly local source of revenue, and it brings in a lot of money. And I think it's unrealistic to assume that we're going to just entirely get rid of the property tax. So given that there are some problems with it, but I believe that it is going to be around for a long time, I guess the obvious next question is: what are we going to do about it?

Well, there are a number of things that have been done, and I want to start by mentioning three things that are done in Saskatchewan, and then consider things that are done in other provinces or that could be done to, at least, reduce the perception that the property tax is a bad tax.

Well, the first thing that is done in many provinces -- and it's done in Saskatchewan -- is some form of property tax relief. Here, that takes the form of a property improvement grant, tax rebates for seniors, tax rebates for renters, and I understand, as of this year, there will be a home quarter tax assistance for farmers.

The notion of property tax rebates is to reduce the regressivity of the property tax. If it's affecting low income people, then some form of rebate would, it is assumed, reduce that regressivity.

In other provinces, and not in Saskatchewan, the property tax credit, as it is called, is based on income. So that you're given a property tax rebate which is based on the property taxes you've paid, and then you subtract some portion of your taxable income from that, the idea being that, if you're in a high income group, you don't really get a property tax credit. If you're in a low income group, you would get one, and get more, the lower your income.

Well it seems to me to make some sense to do that, since the whole idea of a property tax rebate or credit is to help low income people. So by relating it to income, you're actually targeting it to low income people.

Another area of the property tax that is of concern is the whole assessment area, and provinces are always reforming the assessment system. I know there's ongoing reassessment in Saskatchewan. I think assessment is very important because I think a lot of the perceived inequities in the property tax often result from the assessment system. People look at their property taxes. They look at their neighbour's property taxes, and they say, "Gee, I'm paying more than he is for the same (or than she is) for the same kind of property." And that results because assessment is not uniform always across properties. So these problems with the assessment system can make the property tax look very regressive and very unfair.

If the assessment system is out of date, you have a situation where the price of properties is changing, and maybe the relative price between residential properties and commercial and industrial properties is changing, and the assessment system is lagging behind. So it's not reflecting these changes in relative prices.

And you usually have different kinds of tendencies to over-assess properties. There's a tendency to over-assess new properties relative to older properties. There's a tendency to over-assess apartments relative to single family homes. So the whole assessment question has to be addressed in terms of the regressivity of the property tax.

Of course, as I mentioned before, the other problem with an assessment that doesn't move quickly has to with the elasticity of the tax, so that if assessment is the same from year to year, and you want to raise property taxes, then it becomes a political decision to increase the tax rate. The property tax is not going to automatically increase over time. With an income tax, as the economy booms, incomes grow and income tax revenues increase automatically. You don't have to change the tax rate. The property tax, in theory, could be like that because, as the economy grows, property values increase and the property tax should go up; but the missing link in that discussion is the assessment system, because as property values grow, assessment does not necessarily grow. So that makes it an inelastic tax.

And the third area that I'll mention now, and talk a little bit more about later, is the whole area of provincial transfers. Of course, if you believe the property tax is a bad tax, you can go to another source of revenue, and an obvious one is provincial transfers. In Saskatchewan, as I understand it, local governments get more than 50 per cent of their revenues from provincial transfers. That's a bit higher than the Canadian average.

Well, those are three things that are done in Saskatchewan. I will come back to grants. There are some other alternatives that are used in other provinces and that I'd like to mention. One is the split mill rate. This is where you would have a different mill rate on residential property than you would on commercial and industrial property. It could be legislated. It could be discretionary, but basically you would have a higher tax rate. It's generally a higher tax rate on commercial and industrial property. That would provide, of course, some property tax relief for homeowners. The idea of a split mill rate -- and it is used in other provinces -- stems from the notion that commercial and industrial property can afford property taxes more than can homeowners. At the very least, they can write off these property taxes against their income for income tax purposes. So they get part of it back in that way.

I would like to caution you on the split mill rate. It sounds very appealing, because it's always easier to put taxes on business than on homeowners. But as I said at the beginning of my talk, there seems to be some idea that taxes should be benefit-related. And if we look at the benefit argument, it's generally been found that commercial and industrial property use less municipal services than do homeowners. The obvious reason, of course, is they don't use education -- not directly anyway. So some cities have suggested that non-residential property uses about 60 per cent of the municipal services that residential property use. So if you buy the benefit argument, if you think that property should pay taxes according to the benefits they receive, then the concept of levying a higher mill rate on non-residential property breaks down. So I caution you on the split mill rate argument.

There's also another aspect of a split mill rate, and that's the whole area of economic development. Everybody is trying to attract industry and commerce. Levying higher tax rates on commercial and industrial property is going to have a negative effect on economic development. So, two cautions on a split mill rate.

A second possibility for reducing reliance on the property tax for homeowners would be to reduce current exemptions. There are lots of properties that do not pay property tax. I understand in Saskatchewan, there is no property tax paid on universities and hospitals. In other provinces there are grants in lieu of taxes.

Some of these properties pay taxes. Obviously if you're trying to reduce the burden on residential property, reducing some exemptions could do that.

A third possibility is to have the province take over some local functions. Obviously if you've got a problem of expenditures not matching revenues, you can increase revenues. You can also reduce expenditures. I don't really want to talk about the expenditure side and about provincial take-over of local functions. I just throw it out, and perhaps John will get to that at some point.

A fourth thing that can be done is to remove education from the property tax. Now I know you talked about this yesterday, and I regret having missed that discussion, but it's certainly something I wanted to mention as well. And that goes back to the benefit argument. People argue that education does not directly benefit property, so it should not be financed by a property tax. Well, it's simple to say, "Take education off the property tax," but what do you do? Well, it could be financed by an income tax. There are other possibilities. What is done in Nova Scotia, and as I understand it is being considered elsewhere, is to finance it out of the non-residential property tax in the sense that the province would take over -- this is done in Nova Scotia. The province has taken over the non-residential property tax. They now collect it, and they use that to finance education. Of course, you have to ask yourself what that implies for local autonomy, and what local councils would be doing when the province is, in fact, paying the entire price of education. You'd also have to ask what it meant to municipalities to lose the non-residential property tax. In Nova Scotia, as it turned out, the non-residential tax revenues were just about equal to education expenditures. They matched that fairly closely. But there are a lot of issues that one would want to discuss before recommending that kind of system.

Okay, that's all I want to say on the property tax. That's sort of a quick run through it, but we can come back for questions. The second thing I want to talk about was provincial transfers and, as I mentioned at the beginning, Saskatchewan gives over 50 per cent of local governments' revenues in transfers. And a large proportion of these are unconditional. That, again, diverges from the Canadian average where provincial, municipal transfers are largely conditional. They are much more unconditional in Saskatchewan.

Well, I guess the logical place to start in the whole area of transfers is why should the province give transfers at all? Is there any reason why the province should give transfers. Well, there's the obvious one that municipalities don't have enough funds to make expenditures -- that their revenues are rising much more slowly than their expenditures are rising. We call this the "Fiscal Gap" argument, and that's a rationale for the provincial government to come in and meet that deficiency.

There's another economic argument as well. One is an equity argument which basically says that regardless of where one lives in the province, one should have access to some minimum standard of services regardless of the revenues or regardless of the tax capacity of the municipality that they're in. So wherever you are, wherever an individual is in the province, they should have access to some minimum level of services at some average tax rate. Now, for many reasons, this may not happen by itself because some municipalities don't have the revenues that others have. Some rural areas don't have the revenues that others have, and so there is a role for the province, in that case, to come in to provide minimum standards.

And the third argument is more of an efficiency argument rather than an equity argument, which basically says that a lot of services local governments provide have benefits that are enjoyed by people outside their jurisdiction. Someone may be educated in Regina and go to work in Saskatoon. A road that is built across one municipality may benefit people coming from other municipalities, so we have what are called spill-over benefits. And the argument goes that municipalities may not provide enough of the service because they're only looking at their own residence. They don't consider the benefits to other people, and they may not supply the right amount. They may just supply too little. And so there may be a role for the province to stimulate expenditures that would be more appropriate for the province than for just an individual local government area.

So those are the three economic reasons why provinces do get involved in giving transfers to local governments. There's been a lot of work done on what the impact of transfers is. If a local government get a dollar from the province, do they spend a dollar and a half and have to raise their own taxes? Do they spend 50 cents and reduce taxes? Do they spend the dollar they get? And there has been some evidence that suggests that different transfers, of course, result in different outcomes; that when the province gives, what we call, conditional matching grant, which would be something like, we'll finance 50 per cent of your education expenditures, but that's very stimulative, that the recipient of that kind of grant will spend quite a lot. On the other hand, if you're given a lump sum unconditional grant -- here's X million dollars, that that is not a stimulative of local expenditures.

An interesting research question that one could undertake here is to consider the introduction of revenue sharing in Saskatchewan, and so to the move from conditional transfers to unconditional transfers and try and understand what the impact on expenditures of that move has been. I don't have the answer.

And then the other issue under transfers is the whole area of local autonomy, and I know you talked about that yesterday as well. I mean, how much local autonomy do you have with different kinds of transfers. Obviously, if you have an unconditional transfer, spend it the way you want to, you have a fair bit of local autonomy. If 50 per cent of your expenditures are being financed by grants, do you have more autonomy than if 70 per cent are? At what point do you have local autonomy? There are also some costs to local autonomy. If you are given a lump sum of money, you have to decide how to spend that money. Are you going to build roads or schools? How wide are the roads going to be? There are a lot of decisions that have to be made locally which don't have to be made if you get a grant that says we'll finance 50 per cent of your expenditures on four-lane highways. So it's a little bit more difficult to do that.

Okay, the third area, and I don't want to go overtime, is other revenues. I've already mentioned the first one which is revenue sharing. This is already done in Saskatchewan. It's done in other provinces as well. In some provinces, they have a piggyback system where the municipalities piggyback onto the provincial personal income tax, and, in many cases, the provincial corporate income tax. So 1 per cent or 2 per cent of those revenues go to local governments. Now I understand in Saskatchewan it's based on four taxes, that the escalator has changed. I'm not exactly sure how that works. But it's not as certain what the revenues are going to be every year. I think one of the advantages of revenue sharing, when it's a piggyback system, is that local governments know what they're going to get, and they know, if income tax revenues are going to increase, that they will get 2 per cent of those. And there's a certain amount of certainty in that kind of revenue sharing.

There are different ways of giving that money back. When the municipalities piggyback onto the provincial tax, the province has many options for distributing that money back. They can give the money back as it was collected, which is what the federal government does with the provinces. We collected this much from this area; we'll give that much back. They can be given out on a per capita basis which implicitly means that the richer areas are subsidizing the poorer areas. They could be based on the needs of the local government area. It could be based on their ability to pay taxes. It could be based on their own tax effort -- their own tax rate. So those are some of the issues under revenue sharing.

And the last revenue source I'd like to mention is the whole area of user charges because again, people do seem to think you should get what you pay for, that benefit-related taxes are appropriate. When I talk about user charges, I mean that very generally to include benefit taxes, so the property tax, to some extent, has a user charge component because it does finance some services related to property. User charges can also be direct pricing for certain goods and services. And we do have user charges for water and sewage, but I think they could be expanded. Well, there's some advantages of user charges and some disadvantages. The real advantage, I guess, is improved efficiency because you can charge a price that reflects the cost of an additional unit. So people are actually paying for what that service is worth to them. An advantage that flows from that is that when you charge directly, that signals demand to the government of how much people want. When services are paid through the property tax, any particular service appears to have a price of zero. You know, if you ask someone whether they want more street lighting or less, they don't really know what the price of street lighting is. They know it comes out of their property tax. The additional cost is zero. When the cost appears to be zero, the demand tends to be much larger than it might be if the appropriate price were being charged. And when the demand ends up being large, what happens is often too many resources are being used to supply a particular good or service. So, where you have a price charged, rather than using a general revenue source like property taxes, you're able to signal demand and have a better idea of what people really want.

The difficulty or the disadvantage of user charges is it can be very difficult to determine what those prices are, and it can be very costly to administer that kind of system. And people argue that there are distributive reasons for not having user charges; that low income people won't be able to afford them. I would argue that local governments, although much of what they do affect the resdistribution of income, that that is not a major function for local government. I mean, it's usually the province and the federal governments, the provincial and federal governments, that engage in redistribution. And that the main function of local governments is to provide goods and services. As I say, because they tax and provide services, there is some redistribution, but that's not the main function.

And if one is concerned with the distributive aspects of user charges, you can always make exemptions. You can always charge for transit that gives passes to low income people or to seniors. You can always price something like daycare but provide subsidies for those people who can't afford it. You have a choice of charging the price or subsidizing. You could do all of one, all of the other, or certainly some combination of charging people and subsidizing.

Okay, in conclusion, I've covered property taxes, provincial grants, and other revenues very quickly. I don't have a magic solution. I don't think there is a magic solution. I think local government finance is a package of many different kinds of things. I think we're going to have a property tax. I've tried to suggest ways that it can be improved or, at least, the perception of it could be improved. I've suggested greater use of user charges, some aspects of revenue sharing, but I see it as a package of different revenue sources, and it's not going to be one -- there's no new revenue source out there to tap on, but rather we could place different reliance on the revenue sources that are already there. Thank you.

MR. CLAYTON: -- Thank you very much, Enid. There was just a tremendous amount of information packed into that short 20 minutes, Enid. We very much appreciate that -- we know that you could mix it up with the academics and engage in all kinds of fancy language and that sort of thing if you have to, but your style seems to be to speak very plainly, and we appreciate that, and we appreciate all that bunch of solid information that we got from you. Thank you very much.

Dr. Brennan received his Bachelor of Commerce (That's an excellent degree, by the way. We've got a few people who'll agree with that.) at Loyola College. He got both his Master's and PhD in Business Administration, I believe, from the University of Michigan. He was awarded the Fellow of the Institute of Chartered Accountants of Saskatchewan in 1982. He's been associated with the College of Commerce in Saskatoon since 1967. He was head of the Department of Accounting from 1979 to 1981. In 1981, Dr. Brennan was appointed Dean of the College of Commerce, and in the same year was appointed as a member of the board of directors of the Banff School of Advanced Management. Dr. Brennan has been actively involved with, and served on the executive of, a number of organizations, including the Canadian Academic Accounting Association (that doesn't sound very exciting, John), the Canadian Federation of Deans of Management and Administrative Studies, Canadian Institute of Chartered Accountants, Institute of Chartered Accountants of Saskatchewan, and the American Accounting Association. Dr. Brennan is an active member in Rotary, the Canadian Club, the Saskatoon Club, the Saskatoon Board of Trade and the Saskatchewan Chamber of Commerce.

Ladies and gentlemen, please welcome Dr. John Brennan.

DR. BRENNAN: -- Thanks, Ray. The good degree, the B. Comm., that he's got is a little better than mine because his is from the University of Saskatchewan.

Thank you very much for inviting me to participate in this conference. It's too infrequent an occurrence that a dean of a business school gets to address a conference dealing with issues of local government finance. Many, indeed, might fear that we speak different languages. I, myself, have some concern in this regard, and I'm reminded of a short story that I read very recently, and it makes the point that it's very difficult to address a gathering where the language of the audience is different than the language of the speaker.

This story was of a university convocation in which an ambassador from a foreign land was receiving an honorary degree, and this ambassador was proudly sitting on the stage watching the process of awarding of degrees. And he noticed that in the front section, immediately in front of the audience, was reserved for families of the graduating class, and there was a woman who appeared to be an immigrant, was just enthralled as the students crossed the stage and received their degree. And when the Chancellor presented one to her son, she was just overcome. The ambassador then spoke, and the mother drank in every word he said. And when he finished, she rushed to the rostrum, seized him by the hand, "Mr. Ambassador," she exclaimed, "I thought your speech was absolutely superfluous!" The ambassador was taken aback, but recognizing her accent, he kept a straight face and said, "I'm so glad you enjoyed my address. Now tell me, do you think it should be published posthumously?" Without hesitating, she replied, "Absolutely, Mr. Ambassador, and the sooner the better."

Well, my hope is that my words will not be superfluous, but rather will be thought provoking, but that they also won't be so aggressive that they'll be the death of me.

In considering the opportunity provided to me by our hosts, I quickly rejected the thought of lecturing this audience on the appropriate solutions to the problems facing the financing of local government, particularly in Saskatchewan. I rejected it because, indeed, this conference involves many participants, each of whom have spent considerably more time than I considering and debating the issues and, indeed, this platform includes people who have spent a lifetime studying these issues.

What, then, could be the role of me, an outsider -- a non-expert?

Well, I contemplated this question for some time and concluded that I might assist the thinking process in two ways. First, I could present my views as a layman on a number of the major issues facing the conference, and I could bring to bear on some of these issues, the attitudes, knowledge, and indeed, to some extent, the folklore surrounding the management and operation of organizations other than those of local government entities. So this is what I'm going to do or try to do. My overall objective is to stimulate all the parties to the debate and, for at least a few minutes, try and get you outside of the entrenched positions, deeply held positions, and encourage you to think about whether there's other ways of looking at the whole problem. Unfortunately, I was unable to be here yesterday. I did manage to catch the Premier's address, and the beginnings of the presentation of the first brief. I did receive, this morning, a great big pile of paper which I'll have to read when I get home.

The Commission's background paper cites six major categories of issues, and I'm going to select three. The first one is what I would describe as the issue of whether taxes represent prices of services provided by local and, indeed, any government entity.

In the words of the discussion papers and, indeed, words you see in the newspapers, learned academic journals, everywhere, express a very real concern in our society for the position of the taxpayer. Indeed, there are some jurisdictions where there are taxpayer revolts. In some cases, the concern is about his or her ability or inclination to sustain current or, indeed, even higher taxes. In other cases, or other sources, it's presented as taxpayer's concern about what is being provided in return for those taxes.

An important issue is: just what is the relationship between taxes paid and services provided and received? The most obvious services are frequently associated with taxes paid. For example, the condition of roads, summer, winter; local transportation systems, quality of local schools. Inadequate or even less than excellent service in these areas will generate high levels of complaint, frequently with the taxpayer's plea, "What are my taxes being used for anyway?"

Without investigating the specific details of Saskatchewan local government budgets, supplemented somewhat by the information I just received, I guess -- I guess I would know that a very significant proportion of the expenditures are applied to activities that are other than obvious services. These activities are of indirect benefit to the taxpayer but not directly felt and experienced.

Even in the more directly visible services, the content of indirect service in the package reinforces in the taxpayer a lack of recognition of the relationship of taxes paid and services rendered.

The rational man may conclude that, in the aggregate, taxes are indeed the price of services that are rendered by governments. However, the taxpayer has great difficulty tracking that relationship. The nature of the services make it difficult. The vast array of services are often not clearly even linked with an identifiable source. Of even greater concern is the fact that the payment mechanism involves the remitting of taxes to at least three levels of government on a timetable that bears little, if any, relationship to the consumption of the services.

That issue of "taxes as prices of services" often leads to that general questions, "Is there a limit on the taxpayers ability to pay?"

Well, of course there is, but who knows what it is. Macro economic surveys may be of help, but in such cases only a national tax base could be used, and then only time series studies could be used to extrapolate to today.

If we were to advance the thesis that taxes are indeed the prices of services, then in my view the question about ability to pay should be restructured or restated as willingness to obtain services at stated prices.

The taxpayer in this quandary might be seen in the analogy of a customer dealing with a business organization supplying a wide range of products. That business would indeed be interested in the total purchasing power of his potential consumer (his total ability to pay -- his disposable income), but in approaching the task of selling his products he would accept as his responsibility the encouragement and persuasion of the consumer to select his product at his price. The effectiveness of the persuasion will determine the continuance of the distribution of product and, indeed, the price. The enquiry as to absolute willingness to pay feature seems to me to be an inappropriate question unless asked in the context of the services to be provided, and of the commitment of the distributing entity to persuade that consumer to acquire the service.

Yes, taxes are a price for services, but understanding or accepting this position does not alone provide the basis for any public policy decision with respect to how much taxes can be raised, nor who should raise it.

Autonomy -- very, very important thing to us. Like the Premier made an eloquent defence of the value of autonomy yesterday morning. It's something we, particularly in North America, I believe, cherish and protect. The pursuit and protection of autonomy is also cited as one of the issues facing this whole question of local government finance.

The reality of the pursuit of autonomy is that there is a trade-off. This trade-off has often been discussed under the headings of centralization versus decentralization. Autonomy and decentralization give us advantages -- the advantages of the creativity of the individual in the smaller group. The freedom for the individual to independently achieve his or her potential is the principle that underlies that decentralization goal. On the other side, of course, there are benefits attributing to group action. There is power and, if appropriately managed, even greater potential of coordinating individual effort to produce an even greater total product than the sum of the individual efforts. The secret to success is selecting the appropriate point on that trade-off between centralization and decentralization.

An example on the services side of the equation might be that highly controversial area of the provision of primary education in the province. The province, in my view, would surely suffer if we were to allow either a complete decentralization or centralization. In the case of decentralization, at the very least, the larger centres with the greater population would, because of a greater financial resource base, be able to sustain a higher level of education service, and there are many that would claim that it would be a higher quality education service as well. The transferability of skills and mobility of the population, to say nothing of work force, would be severely restricted if there resulted a wide discrepancy of educational quality levels throughout the province. On the other hand, the question of complete centralization should be of considerable concern because of the resulting loss in the creativity of the individual. The special qualities of locally generated and financed enhancements to the school programs might very well be lost.

The trade-off currently achieved within our province appeals to me as a consumer. I am proud of the quality of Saskatchewan primary education, but also pleased with the ability to apply ingenuity and creativity at the local level.

The financing of this provision of this service of education should, in the view of our taxes as prices of services comments earlier, likely follow the same balance or compromise between the centralization and decentralization. It would be as much a mistake to completely decentralize the revenue generation in support of education as it would be to completely centralize it at the provincial level. It will remain to be seen if the analysis and the debate that surrounds this conference and following this conference will conclude likewise, but I, as one consumer, am not displeased with the current compromise in effect.

Because of that trade-off relationship between autonomy and centralized control, those debating these very important issues should take care not to pursue one or the other for its own sake. If we are pursuing autonomy in the management of our education system, for example, we should articulate the reasons for that autonomy. Indeed, we should demonstrate some of the benefits of the autonomy we now have if we are pursuing more. Likewise, those that advocate centralization should articulate the advantages derived from the movement along the trade-off line in that direction.

The third issue is accountability, and you might have judged from the introduction that I would get that word prominently in my presentation. Accountability is one of the current buzz words in government -- all government agencies, and I don't use the term buzz words in a derogatory fashion. The concern for ensuring an organization does what it's charged with doing, and does it in an effective manner, is a concern not to be criticized.

My background is as a professional accountant, and my academic pursuits lie in that direction. Accounting, as a professional activity and as an academic activity -- and it is a lot of fun -- is one of measuring and communicating reality to make others, the users of resulting information, better able to evaluate and make decisions. It is in this sense then that I approach the question of accountability and see it as a very important feature of the public policy debate.

Accountability must be examined in terms of to whom an organization is accountable and how the organization satisfies the accountability requirement. The obvious group to whom local government agencies are to be accountable are the citizens of that entity. In a very real sense, at regular elections they are.

Even a cursory look of cash flows into municipal local government entities will make clear that the taxpayers that pay the local taxes are not the only group to whom the municipality or local government group must account. A very large source of revenue in local governments is from provincial and federal government grants. And that suggests a requirement to account to the supplier of those funds. In another sense, much less financial, the local government entity must account to society at large for its carrying out its part in the leadership of our nation and world.

It is in the role of accountability that I believe the various agents to this local government finance question have been considerably less than successful. In a very real sense, this issue ties together the previous two I cited. Are the citizens of our cities, towns, and villages aware of just what it is our cities, towns, and villages are doing? I don't mean simply the total number of dollars spent by various levels of government on various activities. Rather, I mean the nature of the activity, the extent to which the activities undertaken have been at, nearly at, or far below the objectives set for the activity. Do these entities make clear the extent to which they have provided leadership both within the community and as part of the debate in the wider forum?

The media do attempt to reflect some of the events of the weekly or bi-weekly council meetings, and on some topics do a fairly good job. But can we rely on the media to explain what role the municipal government plays in, for example, the provision of culturally related facilities in a city? It is likely that the event of the grant would be reported; it's likely that the events held in the facility would be reported. But rarely does the intent of providing that cultural link, that cultural institution, be effectively identified and sold to the consumers of the service. In my view it redounds to that local government entity to convey to its constituency the roles it is playing in the service of the community.

It appears to me that accountability has been seen to be satisfied by the provision of a virtually incomprehensible annual report which frequently lies at rest, dust-laden, in the provincial archives. Even the short-form report that is frequently located in the local newspaper is little more than a perfunctory bowing to the need to account.

Please note the account I refer to, or the accountability I refer to, despite my professional accounting background, does not limit my focus to those measures that can be presented in dollars. The need to account by an entity, be it a municipality, a province, or be it General Motors or IBM, goes far beyond the need to report the financial results.

Those three issues are but three of the many issues facing the commission in its task. The three I selected are perhaps most general in focus, and because of my particular background I approached them in a very general manner. Many of you, I'm sure, can cite chapter and verse and provide detailed economic measures to either sustain or reject my conclusions. Nevertheless, I expressed them as an individual and hope that they engender some comment.

In reading the materials -- the discussion papers, and I even must admit I found Enid's book interesting, a new experience for me -- I wondered how that . . . I was struck by the fact that the problems as presented in those materials rarely, if ever, appear to be put to a market test. That's a set of buzz words that we use frequently. And I sat and struggled with how to inject that into this discussion. How do I inject that market test into consideration of some of these issues?

A book I read recently (besides Enid's), which maybe some of you have read as well, is a book entitled In Search of Excellence. It's subtitled: Lessons from America's Best Run Companies, but indeed, if you search hard, you can find there is another very much briefer version that is subtitled Canadian Best Run Companies.

I wondered what the similarly titled book dealing with Canada's best run local government entities would look like. And it's in this last part of my presentation that I thought I'd reflect on a few of the elements of that hypothetical book.

Peters and Waterman are the authors of In Search of Excellence, and they cite a number of characteristics of these excellent companies. They cite one characteristic under the heading, "Close to the customer." The examples they present demonstrate a very high level of service orientation by these companies, a very strong, significant listening attitude on the part of organizations like IBM and Hewlett Packard.

They cite examples of the senior managers of very large, multinational organizations regularly as a matter of policy putting time in on the sales floor. Perhaps one of the most graphic -- and I hope you don't find out of place -- but one of the most graphic examples that, indeed, many of you in this room have experienced is the Disney organization and Disney World and Disneyland. You and I, when we arrive there, we are guests with a capital "G". The general management of those entities, as a policy, regularly spend time collecting tickets in that park. The staff are clearly convinced that they are part of a cast putting on a show for us, the guests.

Well, Peters and Waterman go on to give a long list of examples, but they summarize their list by suggesting that whether the basic business of these entities was metal building or high tech or hamburgers -- and I might add, or education service or transportation service or heating or whatever, roads -- every one of them have defined themselves as in the service business.

In light of our reference much earlier in the presentation earlier -- my reference earlier -- to the products of our local governments being considered services, I ask: do these organizations see themselves as being in the service business? Should they? I think so.

Another characteristic of these excellent companies are that they are very productive, and productive through people. My comments are directed primarily to the management of government agencies here, but since managers require support of the appointed and elected officials, the message is appropriate for all, I believe.

An excellent business achieves productivity by engendering pride within the work group, by generating a respect through the individual member of that group. There are some characteristics of these successful, productive firms which the authors describe as themes. They use a language in dealing with their employees that is people oriented. They provide an environment where there is considerable information about the organization and, indeed, information about comparable organizations. They convey an environment of smallness despite being very large organizations. If I can quote:

> Excellent companies have a deeply engrained philosophy that says, in effect, respect the individual, make people winners, let them stand out, treat people as adults.

I ask, how many Saskatchewan local government entities could be included in a list that adopted principles such as these as their management goal?

The thesis which underlies all of my comments is that the solution to many of the controversies and debates facing the commission is better management. We have for too long seen local government entities as governments and as such, entities not governed by the requirements of the market system. Our efforts at management and productivity improvement have been predominantly aimed at the private sector. This is not surprising in light of the existence of what would appear to be effective measures of productivity in the standard measures of corporate performance. In governmental agencies we rarely, if ever, can compile all the aspects of the entity into a "bottom-line" figure. And even if we could, we probably wouldn't want to.

What we forget is that in the private-sector enterprise the very same problem exists. It does have a bottom line, and it is given considerable prominence, but that figure is likewise an incomplete picture of that entity's contribution, and hence an incomplete measure of its productivity.

We, in this age of management by exception, frequently are oriented to differences, and we allow these differences to stimulate our reaction and form our opinions. I submit, in the solution of many of the problems we face in local government area and in other areas, we might better orient ourselves to similarities and borrow from the knowledge that has been acquired with respect to the non-government private sector in solving some of these problems.

We, and as a citizen I include myself as part of a local government entity, should strive to improve the quality of our management. I know of only two local government agencies in this province who have made use of our management development program at the College of Commerce.

And I look to the west of us in Alberta -- I find extensive use by the local government agencies in that province of the management development activities of their universities and at that Banff School of Advanced Management that you mentioned.

How many of our local government units have adopted productivity improvement programs with an emphasis on service? How many managers of these entities have measured their success by the degree to which the customers of the entity express satisfaction with the quality of the service?

These suggestions for improvement in the quality of management are not disconnected to the problems cited in the discussion papers and the problems identified as facing local government finance. The excellent companies cited in the Peters and Waterman book rarely, if ever, have difficulty in obtaining revenue and capital funds for their activities. The efficient productive entity which has worked at informing and persuading its constituency will be more effective in the generating of funds, both operating and capital. I submit that this principle will apply in the local government finance field as well. An informed, well-served citizenry will pay more for excellent service.

The provincial government/local government relationships are not entirely dissimilar to the parent and subsidiary company relationships we find in the private sector. The effectiveness and attractiveness of decentralization to that private sector enterprise is very much dependent on the effectiveness of the decentralized unit. The more effective, productive, and efficient that unit is, both in terms of providing service and generating support for those services, the more likely is the parent to decentralize.

In conclusion, the problems facing this province in the area of local government finance are, in my view, much broader than those outlined in the discussion paper. The discussion paper cites specific issues which, indeed, must be addressed and must be solved. I urge all of you to consider these issues, not only in the specific, but also in the much broader context of the need for excellence in managing the entities and in marketing the services that those governmental entities provide.

Thank you very much.

MR. CLAYTON: -- Thank you, John. We'd hoped for a thought-provoking address from you, and we got just that. I quite expect that a good number of weeks and months after the conclusion of this conference, people here who will all get a copy of the transcript will be going over your remarks very carefully and extracting from it some of the thoughts, and considering how they may, indeed, apply them in their own areas of operation at the local government field. So thank you very much, John.

We now have the opportunity for the next half-hour to engage in some discussion. Yesterday we began the questioning with commissioners. I'm going to give you folks on the other side the first kick at the cat this morning. Do any of you have a question you'd like to raise of either of the speakers, or a comment in response to what they have said to us this morning?

MR. TAYLOR: -- Mr. Chairman, through you to Dr. Slack, please. When you were speaking about the split mill rate -- that's the same terminology as some views call it, the variable mill rate (same thing) -- in your work across the country or the reports you have received, what would be your estimate as to its reception across the country, how it has evolved in the various provinces, its acceptability by the public, by the persons who come under it? In other words, what I'm asking is: could you spend just a few more minutes on that?

DR. SLACK: -- Split mill rates and variable mill rates are very similar. The terms seem to be used in different contexts. Split mill rate tends to be used for a different rate on commercial industrial property versus residential property. The variable mill rate has been much more in the context of many mill rates. For example, in British Columbia they brought in market value assessment and that resulted in a lot of shifts in taxes among classes of property. So what they allowed there is very narrowly defined classes of property, and the local governments can choose mill rates for each of those classes. So there wouldn't be two. In my mind, split has come to mean two mill rates, and variable has come to mean more.

I would say half of the provinces in Canada do have some form of split mill rate, and I guess politically, if I may say, it's not unpopular. I mean, it's always easier, as I said in my talk, to put higher taxes on business than it is to put it on home owners, again the argument being that businesses can write it off anyway. So I would say that it is very popular and widely accepted.

MR. HANKLING: -- Just to carry on with that though, in British Columbia they firstly, as I understood it, achieved the difference between classes of property through the assessment mechanism and just have recently moved from that to the mill rate mechanism. Is that correct?

DR. SLACK: -- It came out of the market value assessment problem. When they brought in market value, there were a lot of shifts in taxes from, you know, basically two single-family homes. They were very hard hit. And one of the ways of getting around that is by changing the mill rate. And if you define your classes of property very narrowly, like single-family homes, two to five units, five to ten units, apartment buildings, you can have 10 to 15 different classes of property. You can kind of diminish the impact of market value assessment, so that if one class has a very large increase in market value assessment, well, you just lower the mill rate on them.

But you're quite right in what you're saying. The variable mill rate is very new. I think one of the maritime provinces as well now has a variable mill rate . . . (inaudible interjection) . . . Nova Scotia. But you're right, in B.C. it came out of the first market value assessment. They looked at the impact of that in one of the ways of reducing the problems, and it was to bring in a variable mill rate.

MR. MANN: -- Dr. Slack, you said that you agreed with the user-fee concept in education. Would you still agree that the user-fee concept should be used?

DR. SLACK: -- Education is a different kind of service, I think, than is garbage collection, street lighting, sewers. No, I don't see it as being particularly . . . I think government has a role to subsidize education.

MR. ROWLATT: -- I would direct the question perhaps to Dr. Slack first, but maybe John Brennan can provide a view as well. There is a view -- a myth, a reality, I don't know which -- that the property tax burden has gotten too high. Research, I believe, by a colleague of yours in Ontario, Dr. Slack, in a book recently out on local government financing by a Professor Kitchen, illustrates in a rather dramatic way for Saskatchewan and for other provinces that the burden of the property tax, the quantum of the property taxes, a proportion of our total provincial income, has fallen dramatically over the last 12 or 14 years to the point where the burden, the overall burden of the tax is now perhaps only 60 per cent of what it was relative to our income 10 or 12 years ago.

Given those facts, are we dealing here with a myth or reality?

DR. SLACK: -- There's a paper called Myth or Reality. I agree with you. I think the burden of the property tax has fallen. I'm reminded of an anecdote when Richard Bird and I did the book on property taxes. We actually showed that property taxes in real terms had fallen. I was on the radio after, being interviewed about this, and of course the radio announcer said, "Well that's ridiculous; property taxes have gone up." And I said, "Of course they've gone up in dollar terms, but relative to the way other things have gone up, they haven't gone up as much, so in real terms, they've fallen." He basically said I was an idiot and hung up, and that was the end of the interview.

So there is a problem; you were right. And I guess in my remarks I tried to suggest that part of the problem is a perception problem. The burden of the property taxes has fallen; provincial grants in most provinces have increased dramatically to fill in the gap. There was a feeling in the '60s and '70s that the property was a terrible tax; it was very regressive. And provinces came in and said, "Okay, let's lay off the property tax, and let's increase provincial grants."

I think the perception probably comes from, in part, the way the property tax is administered. I know in Ontario the assessment, you know, the whole idea of market value assessment comes and goes. People don't think it's a fair tax. I know people were sitting in their houses seeing other people paying less property taxes for the same services, the same kind of house, and they don't think it's fair. I don't think people think it's too much, and I don't think people would say, "I don't think I should be paying property taxes," or, "I don't think this is worth while." I think people are comparing themselves to other people, and I think they see a lot of inequities in the way it's administered.

The other problem, of course, with the property tax is that you actually write a check for the property tax. You know, income taxes are deducted from your income, and you don't actually sit down and write a check. And I always do my little casual empirical studies and ask people, "What did you pay in income tax last year?" "I don't know." "What did you pay in property taxes?" "Oh, $1,500." It's a much more visible tax, and so you're going to get a lot more complaints about it because people know -- firstly, they know what they pay; and secondly, they can see the services. Nobody really knows what they get for their income tax -- I mean, national defence and lots of nebulous kinds of things. I mean, they know what they get for their property taxes. They know if the sidewalks are being fixed, and I think it's just the nature of the kind of tax it is. But in terms of the burden, it certainly has not gone up in recent years.

DR. BRENNAN: -- If I could comment, two points. For some of the problems you cite I could accept the blame on behalf of the accounting profession. I think the financial reporting system we have in this country and, indeed, most of the world, continues to insist that a dollar is a dollar is a dollar, no matter whether that dollar is a 1942 dollar or a 1982 dollar or a 1984 dollar.

I begin by accepting some of the blame for that in the deed that the leadership in our measurement system, financial measurement system, has not been successful, though one real source of opposition to improving that measurement system are those agencies whose revenues are directly assisted by assuming a dollar is a dollar is a dollar in times of inflation. And they would be governmental agencies whose tax revenue is indeed, as you said earlier, assisted by inflation.

The second question, I think, bears on the points I was making, and that is, I think, Don's question of, "Is it a myth or a reality?" I don't know. And that's the problem, I think. The taxpayer who makes the decision by comparing his or her tax with his neighbour's tax is applying very poor research methodology. There are two incidents that are reviewed, but it's not done in the context of the provision of the total set of services to the total set of consumers. And it is, in my judgement -- can count on the agencies providing those services to market to explain, so that the consumer or the taxpayer, whatever person as you see him in at the time, understands what those issues are. It requires marketing.

MR. THIESSEN: -- I like the comment that Dr. Brennan finished with. My question -- If you would be so bold, I would like to ask a very direct question in regard to something that he said. He said -- and this was his statement. I think this is the way you said it -- "They convey smallness, even though they are very large." And my question is: could you or would you point at anything in local, provincial, or federal governments that would give you this idea?

DR. BRENNAN: -- An example?

MR. THIESSEN: -- . . . (inaudible) . . . says being small and very large, you know, but gives the consumer the idea, or federal government, or we as local government.

DR. BRENNAN: -- I'm not sure I fully understand your question. The context in which I said that was that an excellent company, despite its being IBM or General Motors or whatever, can convey a smallness to the consumer, indeed, a direct relationship.

Now could we find incidents of that in local government situations? In some senses, at least in my vantage point as a consumer, in me consuming my local school, I very often become aware of the fact that I'm in a big organization, but I have a very small unit providing me service. And it conveys, though it's an enormous system in the province, it conveys a smallness to it.

A more direct example -- and you might almost see this as silly -- but my family consumes public transport, considerable level of consumption of public transport. That's a pretty big operation. When the driver of that public transport vehicle greets the person arriving into that vehicle in a positive, friendly fashion, that's an example of appearing to be small, appearing to be, you know, an individual driving a bus, providing a service, when indeed he's really part of a big organization. To accomplish that takes a very significant management commitment to develop in suppliers of the service in the direct contact level that kind of an attitude, that kind of a commitment. The consumer of the service is quite willing, in my judgement, to bear a higher cost if, indeed, the services are excellent and provided with that service orientation.

MR. THIESSEN: -- Just a subsequent question to that, and I'm glad you talked about the bus driver. My next question, then, would be: is the bus driver then deemed to be accountable?

DR. BRENNAN: -- I guess in so far as he is part of that organization, yes. I wouldn't look directly at the bus driver. My first level would be to look at the management of the organization to instill the attitude which is evidenced in the kind of actions I described in that incident. I'm not sure exactly how we would look at it to say that that bus driver is accountable. I think that the environment within which he works should be such that, indeed, would engender the kind of reaction that is, in effect, marketing the service.

MR. LINNER: -- I pursue a little bit of a matter with Dr. Brennan because I quite like your endeavour to be analogous from government bodies who often think we aren't accountable in the same way as private sectors. And you dealt with the question of we aren't doing a very good job, I think, of communicating or making the people aware of what it is we're trying to deliver -- the services.

Did you find that either as a professor of management or as a citizen -- in part because there aren't well-defined corporate goals, if I can call them that, as a corporation would have in a local government -- that there is less than specific definition, either by legislation or by practice of local governments, to really make it particularly clear that they're in a fairly defined set of responsibilities? Are local governments going into areas that they're only peripherally able to handle, or peripherally dealing with from time to time, as opposed to the classical areas of street maintenance and public transit and education?

Are we getting off the track and trying to be everything to everybody, rather than doing those things we're best at doing? IBM makes computers, and they stick to that. Local governments deal with everything from streets to abortion, from time to time that is, at least, to nuclear war. Are we going off what our properly defined goal, and is it more logical that we restrict ourselves to those things we're able to do?

DR. BRENNAN: -- There's a lot of scope for a . . . You could run a whole political campaign, I think, on the response to that question.

I would agree with your comment that perhaps there is less than specified, laid-out goals or missions for the institution, whatever those institutions are, at least less than public specifications. I can't really testify to whether indeed those goals do or do not exist. My sense is, though, that they are not being conveyed. They are not being -- I use the word market -- they're not being marketed to me as a consumer. And I think they should be. The question is: why aren't they, if they do exist? This is, I think, a problem of the institutions and indeed, perhaps, of the nature of government and how the population relates to its government.

I maybe tread on dangerous ground, but there has been very public criticism of major advertising campaigns supporting or explaining the purpose and function of some of government departments and Crown agencies. In my judgement, the function of that advertising and communication about the nature of the organizations and what they're doing and why they're doing it and what's good about it, is a very real and important function to be performed. Yet we find it politically uncomfortable to permit that to be institutionalized within the structure.

I come from an institution that is, indeed, not a local government, but it's an institution not in the private sector. There's a very strong reticence, very strong inclination away from blowing our horn, of launching advertising campaigns, of telling the public what we're doing, explaining what's going on. I fight against it. I'm a strong advocate in that kind of activity occurring -- at the university, in the cities, in the towns, in the libraries, in wherever.

I think it's merely an evidence of social attitude. I don't know that it's legislated against. I think most of the organizations could include it in their annual budget advertising. They do spend money producing, as I said, these annual reports in an unintelligible fashion, whereas if you look at IBM's report, or I was going to mention the McDonald's report, which measures their gross sales in Big Mac's, they're communicating to that public using measures, using real things that can be felt and understood by the consumer.

MR. CLAYTON: -- I think Mr. Mayor Lewry heard you commenting, John, about the management of Disneyland taking tickets. And I think he just sent a note down to Mr. Taylor suggesting he jump on the garbage truck on Monday, and he wants to tell us about it. Herb, would you like to tell us about that?

MR. TAYLOR: -- Actually, His Worship was a little kinder to me. But he did bring out a point that he's asked me to direct to Dr. Slack.

With your experience, but also the fact, Dr. Slack, that you do come from Ontario -- or perhaps by saying this: that when we had some discussions about the removal of the cost of education from property tax, the question then has come up that we would then perhaps have to be prepared to give up our transfers, provincial transfers, which would leave us with property tax practically as our only source of income. Then what would happen is that very, very small communities who haven't got the property tax base would really be in difficulty.

So then there has been promoted the idea, well perhaps what would be necessary would be to look at the communities on a regional basis, which is another form that some people might suggest would -- say, the county system. Now you're from Ontario, as I originally was 100 years ago, and lived under the county system. How is it today living within a county system of municipal governments, their revenues, the assistance to the real small communities within a given area?

DR. SLACK: -- Do you mean county government or regional government?

MR. TAYLOR: -- Well, as I say, it used to be a county system when I was there but I know you have regional government now. Do you still got both? They still got the county system as well though, don't they?.

DR. SLACK: -- Yes, most of the province is divided into regional government, but there are still county governments as well. I guess what you're getting at is some idea that by having a larger level of government you're able to have the richer parts of that community subsidize the poorer parts of that community. I guess to some extent it does. The real problem with regional government, which is really just a bigger form of the county government kind of system, was that everybody's services improved. We had what was called equalizing up to the highest standard, so if you amalgamated two municipalities, one that had a very high level of service and one that had a very low level of service, they both now would have very high levels of service, and everybody's taxes would go up. So it wasn't, you know, in that way it probably wasn't that effective.

In an area like metro Toronto, and I don't know if that's really relevant here, you do have free distribution. I mean, you certainly did, in 1954 when metro was formed, have the city of Toronto subsidizing some of the suburbs to provide services that they couldn't afford on their own. I mean, I don't see why it couldn't work, but it doesn't always.

MRS. TRELEAVEN: -- Mr. Chairman, I would just like to reflect briefly on what Dr. Brennan said about marketing. We, in the trustees' association, carried out an extensive research project to find out how to improve the image of the trustee, and we, in effect, were told that it was not a good idea to do an advertising campaign to improve our image because we were using taxpayers' money in the wrong fashion.

DR. BRENNAN: -- I addressed that in reply that yes, there are circumstances, or there seems to be an attitude which would suggest that it's an inappropriate allocation of taxpayers' money to convince the taxpayer that elected officials are doing a good job. And I would share that as a consumer. That occurs in a time when we are selecting the elected official. But it's not, in my judgement, inappropriate, and I would argue strongly in defence of it for the operation of any entity to convey to its constituency. And I don't mean constituency only in the elected sense; I mean it in the sense of to whom that entity relates its purposes, its goals, its objectives, its successes, its failures -- but what it's about, what it's doing.

I don't know, but I would guess that in such a survey in the SSTA you might find out that the population in general are not very aware of what, indeed, the trustees do. And it's most important, in my judgement, that we do know what the school boards are doing. If you're on one, you know. Sometimes if you vote for one, you know. But beyond that there's very little contact. It seems to me that there is a function, and a legitimate part of the role of the board would be to explain what boards are doing -- only one taxpayer.

MR. CLAYTON: -- Mr. Kerlan, SSTA.

MR. KERLAN: -- Sorry, that's SARM.

MR. CLAYTON: -- I knew I was going to blow it here at some point in time. That really did it, didn't it?

MR. KIRWAN: -- I know they would welcome me over there though.

Mr. Chairman, I welcome the opportunity to take part in an arena that allows us to sit back and take a fresh, new look at things -- the tax structure.

Now I know yesterday and today we have theorized, we have made assumptions. We can say that things are just perceived to be that way; and we referred to them as a myth. But one thing we should look at, ladies and gentlemen, is realistically.

I'm speaking from a rural point of view, because I represent rural people. Dr. Brennan asked the question, "Who knows when it's too much?" I do believe we have many people out there, sir, that know the answer to that question.

What do you do, or what do you say to a property owner who, because of the assessment that has been placed on his property, because of the mill rate placed on it, he is now looking at a tax bill that is higher than what that property can generate in terms of dollars? I come from an area, a vast area of range land, and good cultivated land as well. But there are many acres of range land out there that cannot generate the tax dollar that can be generated from that property.

I suggest, can I say to him, sir, "Oh, that's just perceived"? Can I say to him, "You don't know when it's too much"? I would like Dr. Slack and Dr. Brennan to provide me with some answers if they could, so that I can tell that gentleman, or those people, and there are many of them.

MR. CLAYTON: -- I don't know how you got on that hot seat, but go ahead.

DR. SLACK: -- The simple answer is yes, tell them it's perceived. But that's not a very good answer. It seems to me that's where the property tax rebate or property tax credit comes in. I mean, in individual cases where incomes are not sufficient to pay the property taxes, then you want a tax credit based on income where they get part of it back.

Now there's a perception problem there too, because property tax credits are not often perceived as credits against property tax. They're often perceived as a grant or as a provincial program or something else. So there is a perception problem there. But in terms of the real problem, I would think that would be one route. Because his neighbour perhaps can't afford the property tax, are you going to reduce it on everybody? You know, if it's an income problem, then you base it on income.

There are also programs in other provinces where property taxes can be deferred. These are usually programs for the elderly, where sometimes it's the municipality, sometimes it's the province, will pay the property tax and take a lien out on the property. Because it's usually for the elderly, then when that gets transferred into the estate, those property taxes are paid at that time. That gets around the real problem of not having enough money to pay the property taxes. It is by far the most unpopular program there is. It's widely used in the U.S., it's somewhat used in Canada, but nobody wants to take advantage of it, because nobody wants to have liens taken out on their property. I mean, if it's a cash flow problem, there are ways of getting around a cash flow problem, and those are two. I'm not sure that they are acceptable. They are getting around the real problem, perhaps not the perception.

DR. BRENNAN: -- Two remarks I would make. First, when I get close to ground, I am not as well informed as I should be. It strikes me that one of the issues you're advancing is an assessment problem, that indeed the valuation, if the productivity of the asset is less than the amount that that asset is being taxed, perhaps the assessment question needs to be examined. That's a specific reply, and it certainly doesn't help you in dealing with your constituency.

The other dimension, more broadly, is that maybe one of the solutions is to invite people like me more often to these kinds of forums. By virtue of reading Dr. Slack's work, and just briefly hearing some of the briefs, or listening to some of them, skimming some of the briefs, there's a myriad of research questions that need examining, and I must be honest -- in the entity that I represent, the commitment to pursuing research questions is the major objective. The extent to which we have included such research questions as are stimulated by your questions is embarrassingly low, and this will be a new beginning. Perhaps the next time we will have some answers for you.

MR. CLAYTON: -- There are other questions. We're going to break at this time. If I could just make a comment on that question, or observation, that you've made, Mr. Kirwan, I think we are certainly dealing with the issue of the credibility of the assessment system, and indirectly on the whole notion of property taxes. When an assessment system for a rural area, on farmland, which is supposed to be based on productivity, brings about a result such as you have mentioned, I think that really does stretch the credibility of the whole system, and it's something we cannot escape. I guess anyone looking at that would just have to say there's got to be something wrong. I guess that's the beginning, anyway, and if you wanted to make one follow-up comment on that, Mr. Kirwan, I'll allow you to do so, and then I believe we should break.

MR. KIRWAN: -- Yes. I just bring that to light, because whether it's . . . Whether we are expecting too much from the property owner, or whether it's through assessment, I really don't care at this point, other than the fact that that is the position we're in.

And I suggest maybe that this is the place we should start from, then. If you're going to talk about accountability and autonomy, then we have to look at reality, and we can't forever protect our holy sanctum of autonomy if the people out there simply cannot meet the tax bill. We don't want to deal with deferrals. That's not the answer, and that isn't a solution at all. So I think when you're assessing property, and I'm talking about real property, of course, is that we have to get back to the productivity factor. I'll just leave it at that for now.

MR. CLAYTON: -- Thank you very much. We will adjourn for 20 minutes for coffee. The coffee is in the rotunda. We will re-assemble at five minutes to 11.

ADJOURNMENT

MR. CLAYTON: -- Ladies and gentlemen, we'll resume. Thank you. Thank you for your attention. The plan this morning . . . I perhaps should have made mention of this earlier, but the plan this morning was to go to 12:30 and have the lunch break from 12:30 to 1:30 today so that we wouldn't have a loss in continuity in the discussion over this next hour and a half. So don't get too anxious when the clock approaches 12. I recall back in my days when I went to school, as soon as the clock got to a certain point, the teacher would be reminded by all kinds of shuffling of papers and putting of books away and that sort of thing, and the same thing happened here yesterday. So do that at 12:30 instead of 12.

Yesterday we had a fair amount of discussion on the topic of accountability, or, pardon me, autonomy -- I want to get to accountability -- a fair bit of discussion on autonomy. It was a good discussion in some ways, but it was not complete. It seems that there are some very substantial differences in impressions, and it's often difficult enough to come to a consensus on something if there is a full understanding of facts by all of the parties concerned. It's certainly much more difficult if, quite apart from the issues, there is confusion on the facts. I'm going to try to give a bit of an overview of autonomy as we have seen it on the commission. Now this is not intended to be a definitive statement. We are not, and I'm not trying in doing this to make judgements, or to reach conclusions, but rather to describe more of the factual side of things.

If we take a look at the definition of autonomy, if one were to go to a dictionary, you would find words like sovereignty, or freedom to decide on things, the ability to make choices, freedom from outside control. Now when one looks at local government, obviously there's no such thing as complete autonomy. The local governments are creatures of the provinces to begin with, and there's all sorts of limitations on what they may or may not do, arising from that very fact. Where, then, is the freedom to decide, to make decisions, derived from?

The question was raised yesterday: does it come from legislation? I think the answer to that is very obvious. Yes, indeed, it does. The degree of autonomy that a local government has depends very much on what is in the legislation. Legislation for local governments sets out the duties and powers of those local governments. Those duties and powers may be rather narrow, or they may be very broad. If they are broad, there will tend to be more autonomy. If they are narrow, there will tend to be less. If the powers and duties are set out on a mandatory basis -- that is, local governments must do this, must do that, must do the other thing -- there tends to be less autonomy than if the powers that are set out are permissive; in other words, that a local government may do this, or may do that, may do the other thing if they wish, if they so decide at the local level. So, in terms of duties and powers set out in legislation, there is very clearly an effect on the level of autonomy that a local government has.

Legislation may also substitute local decisions with decisions made by other boards and commissions. Now we have some examples of that. Our local government board -- a local government does not have the authority to issue debentures without the authorization of the local government board. Boundaries commissions. You could go down the list. These are examples of boards and commissions which can take away from autonomy of the school system, the municipality, whatever. And if there is a great number of such boards and commissions, there will tend to be less freedom to make decisions than if there were fewer in number.

Legislation often includes provision for the making of regulations, and the cabinet then may set out either very limited regulations, or they may set out extensive regulations, saying what a local government board may or may not do, or what they shall do. So obviously, depending on how the legislation is structured, there can be a very substantial variation in the amount of decision making that can be made at the local level.

Another thing that influences how much local decision making can be made is how provincial government transfers to local governments are made, and we talk in that respect about conditional grants or unconditional grants; or, to put it another way, are grants paid out by the province with strings attached, or are there no strings attached? In the field of education, the education grants are largely paid out, the vast bulk of the grants that are paid out from the Department of Education are unconditional, no strings attached. This then tends to give school divisions a fair amount of latitude in the setting of their own priorities and in making their own decisions.

In the area of revenue sharing, urban operating revenue sharing is very much unconditional. I believe there's only about 1.3 per cent, or some such figure, of the grants that are paid out under urban revenue sharing, that are conditional. The rest are all unconditional. So that, in the usage of those moneys, the urban municipalities have complete freedom to make local decisions, subject, of course, to the kinds of obligations and constraints that are placed upon them by legislation. In rural municipalities, the revenue sharing moneys are paid out in a mix of conditional and unconditional grants, and, in that respect, actually the majority of the funds under rural revenue sharing are conditional. There are strings attached, and I do not believe this is contrary to the desires of SARM. I think that the proportion of conditional and unconditional has been largely a matter of consensus between the department and the municipalities. Anyway, it's quite obvious that the way in which provincial funds are turned over to local governments influences the amount of autonomy or local decision making that they can make.

Now, another thing that can determine, or have an impact on the amount of decision making that can be made locally is whether, indeed, there is a local authority to levy taxation of some kind; that is, quite apart from the provincial funds that are paid, whether or not there is the authority at the local level to decide to spend at this level, or at some lower level. I take for an example in this regard: a few years ago, we had budget reviews in the Department of Education, and I can recall, at that time, drawing to the attention of the Saskatoon school board that their expenditures, either in total or in certain categories, seemed to be substantially above the norm. And I can very distinctly recall the chairman of that board saying, "Yes. We know they're well above the norm. The people of Saskatoon want a first-rate education system. They're prepared to pay for it; they always have. We go back, we get elected each year, we know that they want that first-rate education system, and they're prepared to pay for it."

I can recall, during those same budget review exercises, other communities, and I think of Humboldt. And I'm not making value judgements in this, by the way. I'm not saying that's either right or wrong; I'm just trying to outline facts. The Humboldt School Division had a very low level of expenditure compared to their counterparts, and they made it clear that they felt their local residents were quite satisfied with their standard of education, and that they preferred to deal more with the basics, and that their ratepayers were quite appreciative of the fact that that, in turn, meant they had lower taxes than most of the others.

Now, the thing is, that I think, with all due respect to some of the arguments I heard yesterday, having the ability to raise additional revenue, or not to raise additional revenue, clearly represents a local decision. It's a decision that municipalities may or may not have, depending on the kind of funding system we're under. Currently, school divisions have that authority to levy taxes on the local level. If they were reliant totally on provincial funding, then by definition -- by definition, if they're totally reliant on provincial funding -- then they do not have access to a form of taxation of their own. They do not have the right, then, to decide whether they want to spend more or to spend less. Now again, I am not arguing at this point whether that is right or wrong, but I think it is factual. I think what I'm saying is in the realm of facts.

Now, other questions that might be looked at in terms of that autonomy is: how much of the local decision making is derived from each of those things I've mentioned, in other words, the legislation, the conditionality or unconditionality of the funding, or whether the total funding comes from the province? That's one question we can all talk about a bit. I think that's open for discussion.

The other thing that's open for discussion is: how important is it for local governments to have that kind of autonomy? Some may argue that it isn't all that important, or that it really is. We might want to talk about what the public thinks about all this, quite apart from those that are represented here directly. I can think . . . Some may take the position that, yes, autonomy may be important, but there are other things that are more important. Now, I don't want to put words in the mouth of our friends from SARM, but I thought I heard them saying that, you know, the load on our taxpayer right now is really more important than anything else, and, you know, to heck with whether there's autonomy or not. We've got people out there that are hurting badly from property taxation as it currently is, and something ought to be done about that; and relative to the question of autonomy, the economic survival of people is at stake, and that's more important than anything else. Or they may have been arguing that, because of various inequities in the taxation system, that maybe that is more important than the considerations of autonomy. And I guess another point they may make -- and, again, I don't want to put words in their mouth -- but I think they were saying that the decisions made by other groups that have access to the property tax impact on the kinds of freedom to make decisions that the municipalities themselves have, and that, in effect, their autonomy, if you like, is limited by the actions of others that are occupying that same tax field, and that, therefore, maybe that consideration is of great importance.

Anyway, as I said, I wasn't trying to arrive at conclusions on this, but I was trying to set out the facts as best we could, and perhaps we can carry on with discussion from there. The one thing that we didn't get around to talking about yesterday, but I think Mr. Thiessen really was referring to this when he made a statement something to the effect of, you know, "My idea of autonomy ends when someone's reaching into my pocket," or words to that effect. I'm probably doing a very bad job of paraphrasing you, Ike, but I think what he was saying is that there ought to be some accountability. There ought to be some responsibility, and we can't just have freedom to levy taxation without some accounting or answering to the people that are paying that tax.

Now, in that whole area of accountability or answerability, you might want to get into discussing this just a bit. I believe we've heard our municipal organizations saying that non-elected boards that make decisions on local taxation do not have the same accountability to the ratepayers or the electorate in comparison to others that are elected. Now, that comment has been made. That would be a worthy item of discussion. Or, at least, if they are accountable, they're not accountable in quite the same way, and not to the same extent. I think I've heard the municipal people saying that the schools, school boards, are not as accountable to the electorate for their levies, and some of the reasons I think I've heard is that, you know, it's not really their tax. It's basically just passing it on to someone else to collect. Or that, perhaps because they're in larger units in the rural area, they're not as well in touch with the ratepayers, or so on. I think some of those arguments have been used, and I'm probably not doing justice to the way in which the arguments were presented. The question might be raised as to how the school people themselves feel about how accountable they feel, how answerable do they feel to their electorate? Do they feel any different about these things? Do they feel any less responsible or accountable than the municipal people? And similarly with library boards and hospital boards.

Anyway, these remarks were intended to kind of set, to add a little bit more clarity, if we could, on that one issue, and then perhaps we could beam on to some others. I don't know if we've accomplished that or not, but I don't want to say anything more now. Perhaps I could just open it up for comment or discussion. It's your turn on this side, this morning.

MR. WILKINSON: -- Well, Mr. Chairman, I certainly want to compliment you on the perception of your remarks that you have just made. I think that you have thought through the various briefs very well, and you have, I think, hit on many of the concerns we have. I would like to take, if I might, a few minutes of your time to kind of state, I think, where SARM and rural people are, and I really believe they have been said this morning by the speaker, and by yourself just now, but sometimes if you get right down to the chap that pays the taxes on the back 40, so to speak, you'll maybe bring the issues more in focus.

Now, first, though, on behalf of SARM, I would like to make it clear that in any of the remarks we have made, or any of the remarks we may make, particularly as it refers to getting the cost of education off property, that we don't want these remarks to be taken as a personal affront to school trustees, or to hospital boards, or to library boards, because, in the case of school trustees -- and that seems to be the issue, is getting the cost of education off property -- I think we want to state for the record that, in this province, the school trustees have just done a tremendous job. I think we have, probably, the best standard of living, I could say, possibly, in the world, and they've done this, and they should be complimented for it, and certainly we compliment them for it. So anything we may say, I don't want it to be construed as hitting the integrity of school trustees, or the integrity of hospital board members, or the integrity of library board members as they carry out their public work.

But there's no doubt that we have disagreements, and I think the disagreements come in two areas, and that is, in the source of their revenue, and, I suppose, to some extent, their structures.

Yesterday we were talking about autonomy, and you have opened the subject again. I think that, from where we sit, we may be missing the point a little bit on autonomy. Yesterday we were talking about the autonomy of municipal boards, the autonomy of school boards, autonomy of hospital boards, and the autonomy of libraries. But, you know, the autonomy, local autonomy, as I've always thought of it in all my work with municipal government, is that of local people deciding their own destiny at the local level.

Now, let me analyze what I mean here, if I can. Rural municipalities are small -- they're criticized for this -- and they're close to the people. But if the local rural municipality wants to spend some money on a capital expenditure of some kind, they have to go to their local people, explain the problem, and then only ratepayers vote. In other words, taxpayers vote. So the guy that pays the shot, in a sense, votes as to whether they want to make that expenditure or not.

Now, if we compare that situation to schools, there's no debenture issues that I know of issued for school spending. In fact, the school trustee, who is the only avenue that a ratepayer has . . . It is through the voting process, and we find that, in the election of school trustees, everyone over the age of 18 has the right to vote. And these people, who are over the age of 18, can pressure their school trustees to provide all kinds of services, knowing that they don't own property, and therefore they don't have any financial responsibility. So, in a sense, then, people without responsibility can conceivably make demands on school boards.

Now we come to hospital boards. Here is a case where a rural municipality may appoint someone to a hospital board, but that is one appointment out of possibly 15 other local government jurisdictions. In a sense, then, that municipality does not have local autonomy in its own right in terms of financing hospital boards, or what the hospital board might do.

You said it yourself this morning, that local autonomy and accountability go hand in hand. Autonomy is local people making decisions, and I mean local people making decisions, not local boards making decisions. And accountability is the ability for those who have been delegated the responsibility, on behalf of these local people, to be in close enough contact with the people that they can account to them for what they are doing.

Now, we have alluded to the county system, and I just wanted to mention that we have said in our brief that, in our opinion, rural municipalities, and, indeed, the ratepayers of villages and towns, would turn down the county system, for the reason -- and SUMA could speak for villages and towns, but I believe it would be the same reasoning -- is that they, the people in the rural municipalities, and in the villages and the towns, perceive that they have more local say to the standard of services they want within the village or the town or the rural municipality than they would have under a county system, with some board that's maybe 40 or 50 miles away making decisions for their village or town. And they would not, then, have the same ability to go to their representative and get an accounting of what's going on. And I would suggest that it is the possibility of losing local autonomy, and the element . . . I've just got this written out here, and I'm going to have to read what I've got here. It is the possibility of losing true local autonomy, and the element of losing the possibility of true accountability, that we believe the ratepayers of rural municipalities, villages, and towns would reject the county system.

Now, we have accountability in the case of rural municipalities when it comes for voting in councillors, and it's on the division system, so that the person they're voting for is well known to them. Now, in our brief, we have said that school boards are not accountable to the taxpayer, for the very reason that he is not known by the majority of the taxpayers, and we're prepared to defend that statement, if anyone would like to ask me the question as to why we make this statement. Anyone, I want to, in making that statement, it is not a reflection on school trustees or the job they're doing. It is only in the area of accountability that we make that statement. Now, I think with that I will turn it back to you.

MR. CLAYTON: -- Thank you, Mr. Wilkinson. Are there any comments on those comments, or any other new points that want to be raised? This is an opportunity to talk on autonomy, or accountability, or even to get into other areas from yesterday. Mr. Mann.

MR. MANN: -- Mr. Wilkinson seems to be talking about two different sets of people, one who vote for school trustees, and one who vote for municipal councils. May I remind him that it's the same people who elect rural councillors and urban councillors, who elect school trustees, and to say that school boards are not known in their areas is utterly ridiculous, because we are just as local, we have the local people voting for us just the same as they do for municipal councils.

MR. CHAIRMAN: -- Mr. Wilkinson, I believe you wanted to respond to that.

MR. WILKINSON: -- Well, he is essentially asking the question as to why we made the statement, and so I will answer it in this way. It was two or three years ago that there was quite a bit of talk in the city of Regina -- now, remember, the city of Regina is not on the division system in so far as the election of school trustees is concerned -- there was quite a bit of discussion as to the fairness of the ballot for school trustees, because when you're in the city of Regina, you wind up with a ballot with about 20 names on it, and they felt that putting it in alphabetical order was unfair, because the person at the end, with a name like Wilkinson, wouldn't have much chance of getting elected, because his name came at the bottom of the ballot. That, in itself, is a reflection of the concern of people who ran for school trustees, that there is something wrong with the election system.

I want to use a personal point, that, in Regina, I went to vote in the last municipal elections, with my wife. And we went in, and we were handed a ballot for mayor, handed a ballot for councillor, and for school trustees. When I went into the polling booth to vote, I took a look at that 30, 20 names on there, and there was only one name on there that I personally knew, and I didn't know him very well. And I didn't mark the ballot. Then when I went home, I said to my wife, "How did you handle the school ballot?" "Oh," she says, "I didn't know anybody, so I didn't vote." So anyway, I just left it at that.

It was a few days later that I was invited to speak to a ratepayers' meeting in a town south of Regina. There was 150 people in the room, ratepayers of rural municipalities, and, Mr. Mann says, ratepayers of school trustees. We'll get this straight -- the same ratepayers. And when I was delivering my address, on our concept of getting the cost of education off property, there was a chap in the hall, and I presume he was a representative of a school board, and he stood up, and he says, "Mr. Wilkinson," he says, "School boards are accountable to their people." And I let the remark go, but this man pursued it, and what happens, if I can, and somebody pursues an issue, I usually get backed into a corner, I'm going to come out fighting a little bit. So what happened that night is, I said, "I may be taking advantage of you, sir, but you're pursuing the matter, so I'm going to answer your question this way. How many people -- 150 people in the room -- how many people in this room know the name of your reeve?" And everybody put up their hands. I said, "How many people in this room know the name of your councillor?" And everybody put up their hands. I said, "How many people in this room know the name of your school division representative, trustee?" And six people put up their hands.

Now, this was all in my mind, because I'm making a statement. I came back here to Regina, and I got thinking about the Regina elections. So I got a hold of the returning officer for the city of Regina, and I've got the statistics with me here today, if you want to challenge me on it. And I found out, through the returning officer, that there was 53,000 people went to the polls in Regina at the last election. In other words, 53,000 people went, and they were given a ballot for mayor, for councillor, and for school, whether it was separate or public. Fifty-three thousand people voted for mayor, 51,500 or 51,600 voted for councillor, and 40,000 people voted for school trustee. That means that there was 13,000 people in the city of Regina went to the polls, were given a ballot, and chose not to mark it. And I think that's pretty good evidence that schools are not close to their people, and are, in a sense, not accountable to these people, because they don't know who they are.

MR. CLAYTON: -- I believe Mr. McCallion had a point.

MR. McCALLION: -- I perceive a problem in terms of the accountabilities of the bodies involved, and, when you look at a local hospital board, they are accountable for the running of the hospital. That may be in conflict with what the local municipality may wish, but the board's responsibility, and I think they attend to that responsibility, and carry out their jobs appropriately, by determining what level of services should be provided by the hospital. That may be in conflict with the municipality, or any one representative from the municipality, but they've carried out their objective, and I think that's important to be considered, that they should be carrying out their objectives.

MR. CLAYTON: -- Mr. McCallion, decisions are made by hospital boards and by school boards, and by municipalities, and presumably each of them are accountable to somebody for the quality of those decisions, and, in the case of either a rural or urban municipality, I suppose the ultimate of accountability is expressed at the time of elections. You know, when, through the ballot box, people will say, "We agree with the kinds of decisions made," or "We don't." To whom are hospital boards accountable, and how does it work? Like, how does it function?

MR. McCALLION: -- In many situations there are . . . Hospital boards have annual meetings in which they answer to the community. They also answer through the elected representatives, back to the communities that they serve. And it would seem to me that, in both cases, if there was dissatisfaction with the services being provided, that that dissatisfaction would be voiced at the annual meetings, and/or through expression to the urban municipal or rural municipal bodies.

MR. MAGIS: -- Well, my question to the hospital board basically is this, then. You talk about accountability back to the sponsoring municipality. When one municipality pays 70 per cent of the hospital costs, and rural municipalities and a few villages and towns make up the other 30 per cent, and we go to the general meeting that you're talking about, which our representative sits on, and is outvoted, he is accountable to us. And he comes back and states, "There was nothing I can do about it. I was outvoted. The hospital board, the administrator, wants this amount of money, and we have to pay it." The situation also arises is that a municipality might be in a tight financial restraint. They may not want to raise taxes. They may have to borrow money, but the hospital demands that we pay our levy, and they take those funds and put it away for surplus, for future capital development, when we believe that those funds, when needed, by legislation could be obtained from the municipality. So I can't see where the accountability is, of the representative on the board back to the elected officials, back to the people that elected him.

MR. CLAYTON: -- Would someone from SHA wish to respond? Mr. McCallion?

MR. McCALLION: -- I think, just with respect to the funding, that we've indicated in our brief that we would prefer to see a different method of capital projects. I'm not aware of too many hospitals around that are able to take money and set it up as a surplus. On the contrary, I would suggest most of them are in a deficit position right now. What happens, in terms of going back to the representation, it's a democratic process that takes place. You participate with the hospital, and, while there may be a greater input by one particular jurisdiction, there are a variety of people or a variety of bodies that participate in hospital operations. There may be 15 people. The voting of the hospital board is based on what they think is best for the operation of that facility, and it's a democratic process.

MR. CLAYTON: -- I believe Mr. Wankling had a point. Did you still wish to speak?

MR. WANKLING: -- Thank you, Mr. Chairman. I want to come back to the autonomy issue for a moment. I'm going to refer to something that you said, about the grants that come from, or the transfer payments from the provinces to the school boards, come completely unconditional. And there is local autonomy, presumably, or local decision making as to how you use that money. And if my figures are correct, roughly, in broad terms, about 50 per cent of the funds required for education come from the province. And if that 50 per cent is unconditional, and the local school boards have their autonomy, then why would 100 per cent be any different? I have some difficulty trying to rationalize that. Could you or could somebody from the school trustees tell us why their position, autonomy-wise, would be different, at 100 per cent?

MR. CLAYTON: -- I will let the SSTA give their own response to this, but I think the point I was making, and here again I am trying to describe what I think is fact, as opposed to saying, "This leads to a certain conclusion" . . . What I was saying is that you may have a situation where all that a local jurisdiction is doing is administering provincial funds in effect. They may be able to set priorities within the amount the province sees fit to give them but if they would like to spend more at the local level with 100 per cent funding they do not have the option of doing so. In other words, that is a decision they are not able to make if there is 100 per cent funding. If they have access to a local source of funds or access to a source of revenue where they make the decisions then they are able to decide to spend more if they wish to do so. Now, again, part of what we're talking about is what portion of the overall autonomy that a local jurisdiction has, is accounted for or made up of, that ability to tax on a residual basis or to go that extra amount, if you like, and not only what proportion of the overall autonomy is there how important is it?

I don't know how well I've described this. Would anyone from SSTA like to elaborate. Mr. Volk.

MR. VOLK: -- I think we're looking at two different things, the conditional and unconditional aspects. The funds are not unconditional, and the revenues are not necessarily unconditional. The spending is unconditional. There are some constants that are used in determining the amount of money that goes to a board. These are predetermined constants that will determine that a board receives X dollars. Once that calculation has been done so much money is given to the boards. The spending of that money then is unconditional. But our conditional and unconditional are relative terms and they are conditional, our funds are conditional to the degree to the extent that there are some constants, predetermined constants which will determine how much money is calculated. The amount of money then, once it's calculated, we can spend that unconditionally. But supposing we need to spend more money? That's where we run into difficulty and that's where we talk about the property tax.

But if I could just address another issue while I have the mike, I'd like to talk a little bit about autonomy as well. The matter of autonomy has been raised. And I don't think that our association could agree entirely with what's been said this morning about autonomy as you view it. You mentioned to Mr. Chairman, that autonomy is, in fact, legislated. I don't think we would be prepared to buy that. Nor would we be prepared to accept that autonomy means that the individual school trustee or parent out there can do what he likes. We think certain legislation is necessary and you do legislate the parameters within which school boards operate. But we think school boards are the elected people, and therefore I like your analogy of autonomy and freedom, and certainly autonomy and freedom there is a very close analogy. But boards must have the freedom then to make the decision that they feel they want to make. There are not constrictions, no constraints, on boards making a decision once they have that freedom.

Maybe I can best illustrate what I'm saying by way of an example. If a school division, for example, wanted to introduce a band program and if the parents in that school division wanted a band program -- convinced the administration, convinced the board, this is what we want, we want a band program that is going to cost this much, but we want the band program. I think that if we stop right there and see what the board can now do, can the board say "yes, we'll implement the band program," or do they say "no." If they say "yes" then we get right back to our money situation. If they're in a position that they can say "yes, you can have the band program," it follows that by saying "yes" they have a means to have the resources at their disposal to implement the costs involved. If, however, they have to go back to senior government or whoever and say, "Look, we want a band program, can we have the funds," that, to our way of thinking, is not autonomy, not local autonomy. But the board has to be able to make a decision when they have to make it. I think we have the faith in the boards. We think boards are credible, they have the credibility that they can make those decisions, and that to us, I think, is local autonomy.

MR. McCALLION: -- We were endeavouring to move from the discussion of autonomy into the principle that goes along with that, that being of accountability. We've had some discussion on that this morning as well. Would you care to comment on that area, anyone from the SSTA?

I think the suggestion has been made here. Maybe I'm going to get a real scrap going here if I don't watch it. Maybe that's good, I don't know. But I think there's a fairly tenacious opinion being expressed that school boards are not as accountable to their electorate, not due to the personality of the school trustee or his desire to be accountable, but simply by virtue of some other circumstances that the trustee ends up not being as accountable. I'm probably unfairly putting words in other's mouths when I say that, but what is the comment of SSTA on this? I think it's rather important to get some answers from SSTA on that point.

MR. VOLK: -- I would like to comment on it. Maybe some of the other members want to comment on it. But if we follow in reasoning that SARM has proposed then perhaps we should have smaller school divisions. We should go back perhaps to the small divisions that we had if that's what brings about accountability. If school divisions by virtue of the fact that they are larger administrative units than are municipalities, and that's why we aren't accountable, then I suppose we could say if we took that to its ultimate conclusion the smallest administrative unit would be the most accountable unit. And maybe that's true. But I think there are some other values, some other benefits and liabilities that you have to consider in this whole process, and that's what I'm hearing. Maybe that's not what was being said but that's certainly what I'm hearing is that we are not accountable because we are larger administrative units than municipalities are.

MR. CLAYTON: -- Anyone else from SSTA? I believe Mr. Taylor wanted to speak.

MR. TAYLOR: -- Mr. Chairman, I think perhaps you've gone beyond the subject. It had to do . . . there are a couple of questions I wished to ask regarding autonomy, if I might. I'd like to, for clarification, ask Mr. Volk a question in response to his statement. Mr. Volk, you said that the grants that you get are worked out according to a formula and then they are transferred to you and once you get them then they are unconditional. Have I got that right? Okay.

The problem that I've heard kicked around and I'd like you to clarify it for me once and for all so I'm on the right beam. On that, once it gets to you it's unconditional. But in the meantime throughout the province there has been provincial bargaining and your teachers' salaries are set. So the teachers' salaries, as I understand it, the wage component, makes up about 80 per cent of your budget. So it seems to me, and I'd like you to clarify this for me, you say that it's unconditional when you get it but already 80 per cent of it has been earmarked for a certain expenditure over which you have had very little input because you have some minor . . . I'd better be careful on that, you do have representation on the bargaining committee but not as much as you'd like . . . And am I on the right wavelength in my thinking?

MR. VOLK: -- A couple of comments in response. First of all, I'd like to qualify the unconditional nature of the grants. We have to say all the grants are unconditional. There is a small portion that are not unconditional, but I think it's a small number. But I think for all intents and purposes and for our discussions this morning you can say they are unconditional when they reach us.

Another correction before I answer the question. You mention that about 80 per cent of the salaries go . . . 80 per cent of our budget deals with teachers' salaries. That's a little high. I think it would be more in the area of 55 to 60. I expect that the 80 per cent figure comes about when you consider all salaries. There are many salaries that boards have in addition to teachers' salaries. But if you're just speaking of teachers' salaries it's considerably less than 80 per cent. And I would venture that it would be somewhere in the area of 60, maybe even less than 60 per cent.

Now, the point that you're making, as I understand you, is that these are fixed costs and therefore they are not unconditional. They are unconditional to this extent. There are also fixed costs, for example, with regard to maintenance. Now I suppose you could pull those out too. We know we are going to need fuel; we know we're going to need light. They're fixed as well.

The boards do have some control even as far as teachers' salaries are concerned. They have some control in the number of teachers that they employ. They have some control in the type of teachers they employ. So they do have some control. I know there are some limiting factors on this, but to say that that they have no control over that kind of money I don't think we would be prepared to accept that.

MR. CLAYTON: -- Thank you. I thought I saw a hand up over here. Mr. Wilkinson.

MR. WILKINSON: -- It was back on this subject of accountability and I just wanted to suggest to our friends in the school that their problem, I think, is one of structure, that the structure they have is really necessary in rural Saskatchewan. And we have to have larger units. We can't get away without that.

In the city of Regina I suggest that the aldermen received a greater vote because the city is divided out on the ward system and so a ratepayer has an opportunity to learn one person, to vote for one out of three or four people, and he gets to know them better than a list of 20 people. And I would suggest that possibly for education in the cities and larger centres that they might consider the ward system as a means of making themselves more available to the public. And then I would suggest that even in rural areas because accountability I believe is important for schools as it is for municipal governments that they take this whole subject under advisement and see if they can come up with methods of whatever it is. There might be some suggestions they could work out to make themselves more available to the public so that they can be perceived to more accountable.

DR. LANGLOIS: -- Mr. Chairman, I'm not sure that we want to spend a lot of time on the merits and demerits of a ward system in the school board elections, we did that a few years ago. But I do want to pursue another area and it's in relation to the autonomy and the autonomy question.

As I listened to the municipal briefs and also the discussion this morning it seemed to me that a lot of the concern was around, in fact, the other bodies that requisition funds, impinge on the autonomy of the municipalities because by virtue of their setting their budgets earlier and making the requisitions, that perhaps don't leave as much room as is necessary for the municipal governments to provide the services they wish to provide? I see Alderman Taylor's head nodding and I suspect that was at least SUMA's representation. I heard SARM earlier talking about really the concern about the ability of the rural taxpayer to, in fact, pay taxes relative to income which is, I think, much the same kind of argument.

My question is around this and I'd like some comment from all of the organizations if I could get it. To what extent could these concerns be alleviated, perhaps not eliminated, but alleviated, if prior to the formal budget setting and setting of mill rates there were, to use a term that's now become common in Saskatchewan, pre-budget consultations, improved communication if you like between the various taxing bodies to get a fee from each other as to the requirements in the upcoming year, as to the levies that they expect that they would need to do, and that kind of thing? If, in fact, there is not enough room for the municipalities perhaps the school boards were incentive or unaware of that kind of concern. What I am talking about is communication basically among the various jurisdictions at the local level. To what extent do you feel that could be improved?

MR. CLAYTON: -- I wonder if I might just go down the row and ask each of the organizations to comment as hurriedly as asked. Someone from the SHA? Sister Roddy.

SISTER RODDY: -- To the extent that there isn't any now I'm a firm believer in communication and I think that it could do nothing but help.

MR. CLAYTON: -- Someone from the SSTA? Mr. Mann.

MR. MANN: -- I think we do have some of that going on right now between some division board members and rural municipalities. I know one in particular. I can't give you exactly how many are doing that, but I think some of that work is already being done. Providing, of course, that one body doesn't want to tell the other body how they should set up their budget. But certainly the communication and the advisement of why they want to raise certain funds for particular needs I see nothing but good coming out of that type of thing.

MR. CLAYTON: -- SUMA. Mr. Taylor.

MR. TAYLOR: -- Mr. Chairman, in the years I've been in municipal government we tried both routes. I remember the second year I was an alderman I thought I'd be very smart and hornswoggled my colleagues into passing a motion that we'd reject the school board budget and send it back to them. And, of course, it wasn't legal. But it came back with quite a sharp retort from the school board. And I guess I was looking for to make Brownie points or to get some publicity on we didn't like the process. However, as we get older we get wiser we hope. And in the last couple of years particularly when the province asked us to join in a restraint program we agreed as SUMA and as our own municipality of Moose Jaw that we would go along with the restraint program. This was going to put us in a bit of a bind but nevertheless we agreed to it. But at that time His Worship instituted consultations with the school boards. We told them what we had agreed upon and what our programs were for the year and actually as a result of the consultations they agreed to and came in within the restraint guidelines. And last year was pretty much the same thing and over the last two or three years through a co-operative effort there has been an improvement in it. And while it won't solve all the problems that we're facing certainly while we're working through over the next year or two a better means of municipal financing it's certainly a worthwhile route to pursue.

MR. CLAYTON: -- Thank you, Mr. Taylor. Mr. Phelps from SARM.

MR. PHELPS: -- Yes, Mr. Chairman. We have pursued that in our municipality, the R.M. of Prince Albert. We didn't do that this year. But as you know there's five municipalities up there withholding school tax. But last year we did. And what we really talked about there, and I'd like to raise this thing here, we talked about school financing yesterday.

First I must tell you that our municipality is a nine-township municipality. But it is a very hard municipality to service because it's 66 miles long. The east end of our municipality is about 27 feet wide and the west end of the municipality is over 20 miles wide because the natural boundaries are the North and South Saskatchewan Rivers and we have everything between the rivers all the way back to Duck Lake. And when it snows on a Thursday night and the kids still have to go to school on Friday we're looking at something like 366 miles of road to open in our unit. So we say that from 15 to 20 per cent of our own rural municipality budget goes to education through snow-plowing, services for bus routes, etc. And I think it's a fair statement. Now whether 15 to 20 per cent would be high for the province I don't know. I haven't studied it. But for our municipality it's about right.

These are the type of things that we talked over with the school board. But I do think that it's a good thing for the unit chairman to come and talk to council, and I think from now on we'll probably be pursuing that because of the fact that we're in this dilemma that we got into up there.

MR. CLAYTON: -- Can I have a comment from the library trustees in regard to the notion of pre-budget consultations? Mr. Bothwell.

MR. BOTHWELL: -- Mr. Chairman, I think that one point I'd like to make is that we feel that Dr. Brennan's comments this morning regarding marketing are rather important, and library trustees are trying to do that, to make themselves more visible and to also make it understood in the community that the library trustees are serving a wide area of responsibility. And I think that they are doing that in that when regional boards start their budget process, the representatives of municipal councils are advised of the initial objectives of the regional board. I think there may be a bit of a breakdown at this point, and that is unfortunately it has not yet been the experience that all the representatives appointed by municipal councils take their accountability as an important part of their duties and don't always attend the regional board meetings where these decisions are made. And that's unfortunate. We have to sell those councillors on the responsibility of getting to the meetings and reporting back. We find that quite often there is a lack of reporting back by a council representative to his council, and that causes some problems. But generally speaking we certainly do feel that there is accountability practised by the regional boards.

If I may say so as far as Regina and Saskatoon, we both have a unique situation in that our council representatives do (we only have two, the Mayor and one other in both Regina and Saskatoon), both of them attend the Regina meetings, and both of them attend the Saskatoon meetings, and there's a really good accountability back and forth between the Regina and Saskatoon boards, and I think it's coming along in the regions.

MR. CLAYTON: -- Thank you, Mr. Bothwell. I believe, Don Rowlatt, you had your hand raised.

MR. ROWLATT: -- I'd like to, as Herve just did, take us into a direction that we, in the commission, have talked about from time to time, and the opinions of all the five groups would be of interest to us. We have five groups across from us here, all of whom are deeply interested in the service they provide to Saskatchewan people; all of whom fully want to be accountable, we don't doubt that; who want to be autonomous, we don't doubt that; and therefore feel, well, there is this difference of opinion of the availability of the local property tax base to meet these legitimate and good objectives. And we're going to have to sort that out, and that's part of the problem.

One of the things that has been coming up a good deal in this discussion to try to help us (I'm not sure whether it's helping or hindering us), is that there is some kind of distinction between services for people and services for property, and that if we could sort that out that, it would all be okay and we would know what to do.

I guess we have some questions about that. But rather than telling you our questions, I really would like to ask the question: is this distinction of any use to us, or is it another one of those red herrings that is going to debilitate our conversation, rather than assist it? Maybe we can try the same . . .

MR. CLAYTON: -- Let's go down the row again. Would someone from SHA, Mr. McCallion . . .

MR. McCALLION: -- Yes, we identified within our brief that we felt that health is a people service, and it should be construed as such and funded on that basis. What our main concern is that there still be some avenue and some means of the local input and that local responsibility, accountability. We've suggested a few means in which the current local input can be more equally applied for the districts, or hospital districts, in setting an average mill rate to apply for everyone. But we still feel that it's important that that local input be available to us.

MR. CLAYTON: -- Just before we leave SHA, I think maybe we've already had this point clarified, but perhaps not. Were you also saying, either in your brief or now, that because it is a people service you would like a source of revenue other than the property tax, but until such another source is worked out the property tax will have to do? I guess maybe that's really putting words in your mouth.

MR. McCALLION: -- Basically that's correct in the approach that we took initially.

MR. CLAYTON: -- Thank you. SSTA, Mr. Neufeld.

MR. NEUFELD: -- Yes, Mr. Chairman, I read with interest yesterday and have reread the items listed in the SARM report where they refer to the services business. Mr. Rowlatt mentioned a red herring, and we could get into all kinds of discussions on that. I find it very difficult to separate senior citizens' homes from people; health regions from people; skating rinks from people. We can go down the list. Even cemeteries, I guess, are people business if you come right down to it. And I think we're all in the people business. And when you tell me that the police are protecting property I hope they are also protecting me. And we're very, very concerned about the fact that we are in the people business. I think R.M.'s and municipalities are also in the people business, in it in a little different way than what we in the SSTA are, but certainly they are.

MR. CLAYTON: -- Thank you, Mr. Neufeld. Mr. Wankling.

MR. WANKLING: -- Thank you, Mr. Chairman. Mr. Rowlatt has posed a very difficult question because it's not easy to take the list of services and paint them black and white, that this is a property service and this is a people service. We tried to define in our presentation the services, the responsibilities of the provincial level of government and the local level of government. And we feel, we believe, that the fundamental people services, i.e. education and health and perhaps even library, are responsibilities of the province and not the local municipality. Now there are a lot of people who might object to that statement, but that's certainly in an attempt, I suppose, to get a black and white position. We feel that that is true. The education responsibility is with the province, and the health care is with the province as well. We're a little dicey on the library one but we'll throw that into the kit as well.

Now having said that when we've argued with our colleagues, particularly in the SSTA, they said, "Well, you get off the property tax, and let us have the property tax for education." We feel, however, that the kind of business and the kind of services that we are obliged to provide are property-oriented kinds of services. Now it's true you can service property, and if the people aren't there, I suppose it doesn't matter. But nevertheless we feel that the services we provide are for property. And, therefore, there's more logic in taxing property to provide those kinds of services than there is in taxing property to provide education and health services, and that's basically our position. Now I don't know whether we've answered your question, Mr. Rowlatt.

I don't envy you your position on the commission in trying to grapple with that issue, but we think that there is some area where you can make a decision with respect to what the tax sources are used for, either a people service or a property service. And that's the position that we take.

MR. CLAYTON: -- Just to pursue this a bit further. I believe that a good part of the argument on the part of both SUMA and SSTA for the removal of education from the property tax is that education and some other services are services to people, and that municipalities, be they urban or rural, provide services to property, and because they provide services to property, the property tax is an appropriate tax source to use.

I think Mr. Neufeld went down a list of services and was making the argument that those services were just as much related to people as is education, and to the extent that you do go down that list and find municipal services being services to people, you then correspondingly destroy your argument for wanting to have exclusive access to the property tax.

I think that's what we're really getting at, if the property tax is not a suitable tax for the servicing of education, then the argument would go: is it not also unsuitable for senior citizens' homes or cemeteries or skating rinks or, I guess . . . I'm not sure if those are the same examples that Walter used, but I think those were the types of examples he used. Does anyone else from SUMA wish to comment on that or should we move over to . . . Mr. Magis.

MR. MAGIS: -- I think the thing is when you're talking property tax and people tax, and then we come back to what Mr. Rowlatt was asking about yesterday as to transfer of payments -- this is where the transfer of payment comes in, is where there is an interchange between people service and property service. And as was pointed out this morning by the gentleman to my left that there is inequity in property tax and Dr. Slack made the statement that possibly we should have a means test, and I use the term "means test" literally to alleviate the property to the people that can't pay the property.

Now from that, so the thing is that . . . And she also referred to the fact possibly of related to income tax, or to income, and possibly that this is where the equity comes in in providing people service and property service.

MR. CLAYTON: -- Someone from SSTA? Mr. Phelps.

MR. PHELPS: -- I'll go first, Mr. Chairman. I believe Bernard Kirwan has a comment too.

I would refer back to the answer I gave to the last question, where in our municipality we spend from 15 to 20 per cent of our rural municipal budget and it goes to education. And I'll leave it to the commission to decide whether it's going to property when we snow plow those roads, and when we build those roads up for school buses to run on, or does it go to the people that ride on the buses. You make the decision.

MR. KIRWAN: -- This question of the fact that services are all people services we have dealt with before -- that is, SARM has been posed this question before. We tend to look on it this way.

I think it's perfectly clear where there are services being provided that can be identified clearly with the operation of a business, be it farming or an urban business, or with servicing a residence or an apartment or whatever, where the taxpayer, as Lorne has pointed out, can buy a vote, choose whether or not they want particular services, and where the taxpayer is basically directly the benefactor of these services for which he chooses whether to pay for or not.

Then we refer to people services as to those services for which all of society is a benefactor, of all of which society can vote whether or not you incur those expenses. But it falls back to the property owner who must pick up the tab, so to speak, for the services for which all of society can benefit from. And that's the distinction we have, we make.

MR. CLAYTON: -- Thank you, Mr. Kirwan. Mrs. Darrach.

MRS. DARRACH: -- I'm also of the opinion that without people you don't need a property tax because it all stems back to the same thing. Our friends here state that 15 per cent of their tax goes to education, to keep roads, etc. open. If they have to keep the roads open for educational purposes, that means people are living along those roads, the farmers are hauling their grain on those roads, they are going to town for their supplies on those roads, so it all stems back to the same thing. I'm sorry, I must be missing something, probably am, but you can't say 15 per cent is education because we have to keep the roads ploughed, we have to keep the roads built up. It all ties back into the same thing. You have to have people before you have to have a property tax. That's my opinion.

MR. CLAYTON: -- Thank you, Mrs. Darrach. I believe Herve Langlois had a question.

DR. LANGLOIS: -- Mr. Chairman, I'd like to follow up on a comment that's been made a couple of times this morning and it's in relation to who pays taxes. Like the comment has been made that if you own property, you pay property taxes. If you don't own property, you don't pay property taxes.

There are those that would argue that everybody, in one form or another, pays property taxes. They may not get a tax bill, but if they rent an apartment by virtue of the rent that they pay, they pay property taxes. Now I know there's an argument as to whether they pay their fair share or not, but that's not my point. My point is strictly around whether or not they pay taxes.

Another example might be that if you purchase a car from a car dealer who pays property taxes, that at least a portion of the margin in the purchase of that car goes to pay property taxes.

Is this . . . You know, again, are we talking about perhaps an artificial distinction as to who pays property taxes and who doesn't. Doesn't really everyone in one form or another pay property taxes?

MR. CLAYTON: -- I see we have two hands up from SARM. Mr. Phelps.

MR. PHELPS: -- Okay, I'll go first. I'd like to take a swing at your analogy there about buying the car. There's an element of truth in what you say. But I own a farm and I pay property tax, real property tax, and if I go to buy that car, the identical car that you bought, I'll also pay that same property tax that you claimed just now that you are paying. I had that happen to me at a spring ratepayer's meeting at Balcarres this year when I was discussing property tax and removing the cost of education with property tax, and this fellow stood up and he said, "I'm a school teacher and I live in this town and I live in a rented home on the outside of town. And you just finished saying that I didn't pay any tax." So I said, "Okay, we'll pursue it; would you please sit down a minute." So he sat down and I said, "How many people here pay property tax?" There was about 200 owned property, and there was about 200 people in the room. And about three-quarters of them put their hands up that they owned property and paid tax. So I asked them to sit down and then I went back to him and I said, "You see all those people out there, they own property and they pay property tax. And you've just shown me a bill for $627 E&H tax that you paid when you bought your car, and you say that money is going directly to education. Do you realize that those 180 people that just stood up out there if they'd bought the identical car that you bought would have paid $627 in addition to the property tax they'd already paid?"

DR. LANGLOIS: -- If I could pursue it a bit. My issue is not around whether one pays a fair share of taxes. My issue, or question that I was raising, was --and I wanted some clarification in one point -- Mr. Wilkinson indicated that, if I understood him correctly, that only property owners in rural areas can vote in municipal ventures, municipal elections; is that correct? So that someone who's over 18 who doesn't own property can't vote in municipal elections? That's different than you would find in an urban centre where everybody can vote, of course. And SARM believes that that is the right position, that's the way that should be.

MR. WILKINSON: -- Yes, Mr. Langlois, as long as the property tax is being taxed for services to property, then it seems to me that the people who have to carry the tax load should be the ones who decide the level of service that is going to be for the people in that community. I think that answers your question.

I would like to go back to the comment you made and which Charlie alluded to and your previous question, and our whole argument is based on the fairness of the property tax. It really is. Now we can't get it completely fair, I don't suppose, as you can get any tax, but we are suggesting that the property tax is a very unfair tax when you apply it to social services because everyone in society uses hospitals, schools and so on. But not everybody in society is contributing to it when you're applying it to a property tax. And I could give you a couple of quick suggestions on this is that you could conceivably have three wage-earners living in one house, and they're all getting a benefit from our society, and yet there's no difference in the tax towards education that that house pays. So that's what we're after, is trying to get a fair tax for education to which everybody in our society contributes. And we go on to say, "based on the benefits they receive," and I don't really want to go into our concept of a tax on basic income because it takes too long; but that concept, I think, spells out our position as to what we think would be the ultimate fair tax for financing social services.

MR. ROWLATT: -- I'd like to pursue that. It seems to me, Dr. Langlois' comment is not whether the system is fair -- we will have to deal with that too -- but whether or not people indirectly pay property tax. And it seems to me that renters, while it is arguable whether they pay a fair share, either up or down (I think we heard Dr. Slack suggesting this morning that indeed apartments were overtaxed), the issue, it seems to me, that Herve is raising is not one of the fairness question at this point of time, but do these people pay property tax? And I think many people contend that indeed they do. Why pays the property tax on an apartment if it is not ultimately passed on to the renter?

MR. WILKINSON: -- I really don't know where to tee off on this one because . . . I'm going to try to do it as short as I can, and I hope I get my point across. The argument that SARM puts forward is, in fact, the argument of fair play in the payment of taxes. You have suggested the apartment dweller. Now the reason we suggest that . . . It goes back to assessments. The apartment is assessed on a concept of market value, maybe some construction costs, I'm not sure of the total thing, but it's market value and construction costs. And there could be 90 people living in that apartment. Houses, individual houses, are assessed on the same basis with a frontage or footage. But we find in the city of Regina, for example, that people in homes, on an average, are paying three times that of what a person in an apartment pays through his rent. Now what we're simply saying is that for purposes of serving that apartment it doesn't cost the city of Regina near as much to service 90 suites in an apartment as it does to service 90 individual homes with garbage collection, street cleaning and all the rest of it. And, therefore, it is our contention that the person living in the home rightfully should pay more taxes to the city of Regina, in this case, for the services that they are getting because it costs the city more to provide those services.

But this does not apply to education. We're suggesting by the same assessment procedures a person living in an apartment is only paying one-third, on a per capita basis, of what the person living in a home pays. And we suggest that the relation of education is therefore everyone, and yet because I choose to live in a home and someone else chooses to live in an apartment, for education somebody says I should pay on a basis of three to one. And that's where we say that fair play is not coming through.

MR. CLAYTON: -- Don, would you like to make that comment again? I think . . .

MR. ROWLATT: -- But they do both pay property taxes. I think you just said that.

MR. WILKINSON: -- Sorry, Mr. Chairman. In the heat of the discussion, I forgot to acknowledge you, and I apologize for that. Yeah, I guess from your point of view everyone who stays under a shelter of some kind and contributes to that shelter can be judged to be paying a property tax. Our argument is that they are not paying their fair share in many instances.

MR. CLAYTON: -- Just a technical point here; the reason that my light should go on before the discussion moves to another person has to do with the way the cameras function, and not through my desire to rule with an iron hand here. Ted Brady.

MR. BRADY: -- Thank you, Mr. Chairman. We seem to have really got into the question of fairness and equity and so on, and I'd like to direct my question to SUMA and ask them to explain or comment for us where they feel in urban government that there is unfairness or inequities in the present taxation system as it applies to property, and also as it would include business tax.

MR. TAYLOR: -- I'll start off, Mr. Chairman, and then ask my colleagues to pick up the slack. You mentioned business tax, what have you. You take a business person, whether he owns property for his business -- we'll say an implement dealer who pays property tax on a large area for his business. He pays property tax on his home, and he pays a business tax. So that one individual is contributing three times to the cost of education, as well as he's getting the services to his property where he has his implement dealership. He's also getting service to his home, but he's also, through his business tax, contributing to the cost of education three times, that one individual. That is one aspect where we feel there is some unfairness. That's one. Do you want to carry on?

MR. WANKLING: -- Just to follow on Alderman Taylor's comments, in the same community, a -- I hate to pick on professional people, but you can have a dentist functioning in a very small area compared to your implement dealer. He's capable of making as much, if not more, the income from the premises out of which he works, and yet the proportion of tax that he pays, notwithstanding he pays the property tax, albeit maybe through rent, but the business tax as well -- his ability to pay is just as great as the implement dealer, and yet he doesn't pay anywhere near as much tax, and there's where we feel that there's an inequity. And that if you tax him on the basis of ability to pay, then he would pay his fair share. It seems to be a dirty word, to talk about fairness but nevertheless, that's one of the fundamental issues, as far as we're concerned, is fairness of taxation. And there is a very definite inequity, in our opinion, in that kind of an analogy.

DR. LANGLOIS: -- Mr. Chairman, I'd like to pursue the matter a little further. Assuming in fact that the commission in its wisdom in the final analysis agrees that the inequities exist, or perhaps that there should be a general reduction in property taxes and so on, assuming that in effect the revenues generated from property taxes should be reduced; assuming as well that the level of expenditures that are currently being held by the various levels of local government, be it school board, libraries, or whatever, and municipal, stay the same, it's obvious then that the difference has to be picked up by some other form of tax.

It has been proposed, for example, that business tax be the source of those funds through either basic income proposal, I think we've heard, or I think in one of the briefs it has been suggested that sales tax might be a source of additional revenue, and so on. My question is this . . . And when we deal with the issue of fairness -- and I can assure Mr. Wankling that for me fairness is not a dirty word; it's something that we will very much have to deal with -- I think we also have to deal with it in terms of all the taxes paid and not just, you know, not just a single tax. Does SUMA have any feel -- and I'm not really suggesting any hard evidence at this stage -- any feel as to where the incidence of the tax shift would occur? Like, would it move, as an example, from the businessman to, let's say, the residential wage earner, if it were levied on taxes? How would it move? Would it move from the businessman to the professional? Who would benefit? Who would pay, in terms of a significant tax shift away from property to some other tax base? And let's assume for the moment that it would be income.

MR. WANKLING: -- I'd like to make a comment on that. It was -- it has been spelled out, I think, in our joint brief with the SARM with respect to a raising of revenue for education purposes if I could zero in on that. We should pursue a tax that is a percentage of basic income and not an income tax. There is, I suggest, a subtle difference there. If you're talking about the basic income, that means, then, that everybody who earns an income, either an individual or a corporation or whatever, would contribute a percentage, whatever that percentage might be, in this case, in our suggestion, to education. So if you look at it on an individual basis, then you have broadened your tax base, it seems to me or to us, by simply taxing a great many more people for that particular purpose than you would if you were simply putting it against income tax, because we all know in our income tax system that there are certain deductions, exemptions, and so on, that are allowed that ultimately take a person who earns a wage, earns a profit, or whatever, takes them out of a tax-paying position. So we're talking about basic income rather than taxable income if you see what I'm saying. So that you are suggesting there is a shift here. I suppose there is a shift to the degree that there's a shift to include everybody that earns an income. As a taxpayer contributing towards education, or maybe contributing towards the operation of a municipality, our suggestion is that that's what you would use for education purposes. So we don't necessarily perceive it as being shifted from residential to commercial to industrial. We see it as bringing in all income earners from whatever source they earn their income.

MR. CLAYTON: -- Thank you, Mr. Wankling. We'll now adjourn for lunch. I would like to speak just briefly with each of the presidents prior to going for lunch, please.

Afternoon Session

MR. CLAYTON: -- Ladies and gentleman, can we now resume? We want, this afternoon, to get into the discussion of three specific issues. In part, we want to discuss these issues because they are both -- they're not only long-term in nature, but there are short-term considerations for them, and we want to take this opportunity at this particular conference to deal with them.

Before getting into them, however, I have been requested, and I have agreed to permit the Saskatchewan Library Trustees Association to make a comment on a particular area where we didn't go back to them. This will be the only comment that we will be able to entertain on matters that we were discussing before lunch. So, with that understanding, I will turn the time over very briefly to Mrs. Darrach.

MRS. DARRACH: -- Thank you, Mr. Chairman. I'm wondering how long is briefly? The point I wanted to explain, if that's the right word, to members of the commission and the observers who may not know, is the make-up of a regional library board. Each village, town, and R.M. of a region is allowed one trustee who may appoint -- their councils appoint one trustee. For the what-is-being-termed small cities, you have one trustee per 5,000 population. Now, this can mean you might have a board of 140, or whatever, people, which might seem unwieldy, but it works fairly well.

These people are responsible for the workings of the library. The library boards don't arbitrarily set you're going to pay X number of dollars. Your board reviews this. Therefore, the onus, if I might state this, is on the municipal councils not to appoint John Doe down the road who has never read a book in his life and doesn't know what a library is, but he's a good old soul so we'll give him this little cushy job. He doesn't have to do anything. We'll put him on the library board. And then he never shows up, never comes to a meeting. We don't even know what he looks like.

Then along comes budget. Your executive of the board, who are elected from the floor, sets -- we wangle with our head librarians, and we get a budget set. We have an annual meeting where all these trustees are supposed to come, and we argue budget. If they don't like what we've set before them, they can change it. But if they're not there, they can't change a thing.

So, therefore, may I stress very strongly to everybody here, if you have anything to do with appointing a trustee to a library board, for heaven's sake get somebody that's going to be interested and do the job. Don't sit back and say, "We have no say," -- and I've heard this -- "we have no say in what the levy is going to be." You have a say only if the person you have entrusted with the job gets there and does that job. The budgets are set one year in advance. Therefore, you have time to get your say in. Make sure -- and I'm going to say it one more time -- make sure your people are responsible to you on the council to get in there and get their job done. Otherwise, it's your fault, not the library board. Thank you.

MR. CLAYTON: -- Thank you, Mrs. Darrach. We'll turn first to the subject of property tax rebates. We had some pretty definite descriptive comments made yesterday about the rebate program, and I suppose those people were suggesting that there should not be a future for a rebate program, at least . . . Perhaps I'm improperly following their comments to a conclusion, but there was, I think, criticism of the notion of rebates as a concept. Rebates have also been raised in three of the briefs. In one of the briefs, it was suggested that the rebate system may even be expanded as a way of providing property tax relief. In the other two briefs the suggestion was made that the property tax rebate programs might be eliminated entirely as a total package under which education would no longer be funded, even in part, from the property tax.

I think we need to explore some of the issues surrounding rebates in a bit more detail than what we have done thus far. We might ask ourselves: what real role do property tax rebates play in the financing of local government? How well is the purpose of the program understood by us collectively, or by the general public? Is the program administered reasonably efficiently? Could the program be simplified?

There are any number of issues that we could get into in regard to rebates. Those are some of them. I would like to simply throw the subject open for question or comment at this time, and it's really up for grabs for anyone. Mr. Taylor.

MR. TAYLOR: -- Mr. Chairman, we had, I admit, some caustic remarks to make yesterday about the rebate program. We caucused this morning and . . . About the rebate program and the other two that we're going to discuss this afternoon, what we would be prepared to do is to give our views on short-term and long-term of all the three programs. And, as far as the rebate program is concerned, our short-term request is that we realize that, for a political decision of this magnitude to be made, there certainly is not the possibility of such a decision being made as to wipe it out, or what have you, prior to the '85-86 budget. Therefore, keep in mind it will probably be in existence certainly for that year. And in our request the board has said, if it is going to be in existence for the '85-86 budget, then our request would be that it be deducted at source. And our long-term is that in the ongoing negotiations that the rebate program be part of the package that would go to reducing the cost of education of the property tax. Very briefly, sir, that's our position at the time.

MR. CLAYTON: -- Thank you, Mr. Taylor. One of the central reasons, as I understand it, for the provincial administration of the rebate program is that there are limits placed on it; that is, there are ceilings to the amount that any one individual can collect, and the problem, one of the problems that has been identified with leaving the program to be administered locally is that there will be no mechanism to ensure that a person who owned property and paid taxes in more than one municipality didn't collect a rebate in more than one municipality and thereby exceed the limits that were placed on it.

Now, does -- I'm not sure if your organization, Mr. Taylor, had given any particular thought to those administrative types of questions when you suggested it might be deducted at source, but perhaps I should turn it back and just ask, in fact, if you have thought of those types of what I think are very real and important administrative questions -- well, I guess, with policy implications.

MR. TAYLOR: -- Mr. Chairman, that is a real difficulty. However, we did feel that we had been the beneficiaries in the past of some very wonderful information being given to us through the computerization and the computer world, and we don't understand it at all, but we know that with a person like Mr. Koop, who's able to do anything with computers and come up with numbers and how to organize it, we felt that there were the brains in the department that would come up with a solution for that problem.

MR. LINNER: -- Mr. Chairman, just pursuing, Mr. Taylor, your position that ultimately the property tax rebate dollars become part of a transfer payment from the province, in coming back to some of what Dr. Slack said this morning that, in fact, property tax rebates are, in a very real sense, an income redistribution. In other words, they have more impact to the small-wage earner who owns a smaller home and the senior citizen. There's a very real provincial policy direction from property tax rebates. And assuming all of the dollars were provided to urban municipalities, do you see the urban municipalities then playing a role in this income redistribution field? In other words, in some manner using it more to benefit senior citizens, or the point Mr. Kirwan raised this morning, with some validity in my view, that there are those out there who in any given point in time because of inability to produce off their land, taxes are more impressive from time to time than they are otherwise. Would you see the urban governments or the rural governments playing a role in using this property tax rebate to be of more assistance to low-income families, to the farm people in difficulty? In other words, the province uses it, in part at least, as a social policy directive to try and assist those who they deem, and I think rightly so, most need it: senior citizens and those on more limited incomes who have a smaller home.

MR. CLAYTON: -- Anyone like to comment? Mr. Taylor.

MR. TAYLOR: -- In response to that, Mr. Chairman, that's a very valid point. I think that could be done, but I think what would have to happen is that the guidelines for the municipalities operating that way would have to be province-wide so that it is equal within every municipality and R.M. In other words, so that one community could be rather niggardly as to how they administered it, and another one could be rather generous. I think there would have to be a standard that would be set province-wide to make it fair to all people, but I think it could be done.

DR. LANGOIS: -- Mr. Chairman, if I could pursue a little bit the concept of rebates on the long-term rather than the short-term, again referring to Dr. Slack's address this morning when she talked about the possibility of providing property tax relief in relation to income, doing it through the income tax mechanism. Would you care to comment on that as to a possibility -- how would, in fact, SUMA react to that? As I understand that mechanism, it has the impact of reducing the regressive nature of the property tax, or that it, in fact, has the potential of reducing the impact of the property tax on low-income earners.

MR. TAYLOR: -- It's an interesting concept, but, before I answer it completely, I'd like to ask a question, either of yourself or perhaps Dr. Slack, if that's permissible, because I might have misread it this morning. When you first hear it, the one thought that came to mind was: did this involve a needs test?

DR. LANGLOIS: -- Dr. Slack is coming, and she may want to comment on it.

MR. CLAYTON: -- Enid, you read my mind in moving to my desk. Please, go ahead.

DR. SLACK: -- It was suggested by someone else. The way it works in other provinces is the tax credit would be based on the property taxes you pay, not necessarily 100 per cent of them, but some portion of the property taxes you pay. And from that you'd subtract a portion of your taxable income where taxable income is calculated on your income tax form. So it's a means test in the sense that income, taxable income, represents your means. So you just subtract, say, 2 per cent taxable income from some measure of your property taxes.

MR. TAYLOR: -- Thank you very much, doctor. That clarifies it. I would have no problem with that. That's speaking personally. I'd have no problem with that. I think it could be done.

MR. CLAYTON: -- We don't want to get too technical here, I suppose, but is it not the case, however, that a good number of the people who are burdened by the property tax and who currently receive a rebate do not pay income tax, and therefore if one were to deduct a certain percentage off their taxable income you may be deducting something from nothing, and so they get no rebate, they get no saving, and still end up paying the taxes? Or perhaps you had something different in mind, Mr. Taylor.

MR. TAYLOR: -- I think Dr. Slack would like to make a remark on it.

DR. SLACK: -- If you had no taxable income, you would still get a property tax credit if you filed the tax return. What you would get is property taxes paid, and if you were a renter some assumption would be made about what portion of your rent is property taxes. The usual assumption is 20 per cent. So, you would calculate, if you were a renter, for 20 per cent of your property taxes paid. There'd be a few more calculations. And then you'd subtract zero from that, you know, 2 per cent of your taxable income. So you, with a zero taxable income, would get a very large credit. But you would have to file a tax form, which you may never have done before. And there's going to be a large group of people who are not going to apply for this property tax credit, that is fair to say, because they don't file tax returns normally.

MR. LINNER: -- I'd like to pursue something with Mr. Taylor and perhaps with Mr. Phelps a bit. If, in the long-term, Mr. Taylor or Mr. Phelps, the property tax rebates were given in a lump sum to the municipality in some form, would you visualize that coming singularly for the purpose the same, that is for tax rebate, or is it your conviction that they would come to the municipality as another source of money unconditionally to be utilized by the municipality or rural municipality for those purposes they dictate? In other words, are you seeing it as a continued valid dollar for tax rebate, i.e., almost accepting that property taxes are too high, a notion I don't accept frankly, or would you see it as a dollar that would be unconditionally there for capital projects or expansion into other areas of services that you might deem desirable?

MR. TAYLOR: -- Mr. Chairman, if it was given to the municipalities in a lump sum like that, I would -- again, on these questions I haven't had the opportunity to consult so I'm speaking personally -- if it came to us as a lump sum like that, I would not see it being used isolated per se for a tax rebate program. I think it would become part of our operational funds, hopefully being used to reduce the mill rate, but not necessarily so, carrying out projects that the citizens were demanding. I wouldn't see it if it was coming as a lump sum as being used primarily as a rebate program, unless and if it came as a conditional grant -- that's a different thing. But if it was unconditional, it would go into the pot.

MR. CLAYTON: -- I'd like to just take a bit of a different tack here. Our municipal government representatives have expressed concern about being held accountable by the ratepayers for taxes they do not actually levy, and in particular regard to the school tax. And I think some of the arguments have gone along the line that, golly, you know, we are held responsible for raising these taxes, taking all the public responsibility for raising them, but we really have no control or influence or say in how they're spent. Why cannot that same argument be made about the provincial government? Why is it suddenly fair, then, for the provincial government to bear the responsibility for collecting those taxes, bearing the wrath of the ratepayer, and then turning it over to local government for them to be the heroes? Can this not just be turned around the other way as well? Is it not fair for the provincial politician to be as equally concerned about those kinds of matters as it is the local politician? I'll throw that open to anyone who wishes to grab it.

MR. PHELPS: -- Yes, I would probably agree with you there, but I would like to get back to what Mr. Linner -- the question Mr. Linner asked and Herb Taylor answered. We in the SARM have never, ever suggested that the tax rebate program would ever come back to the rural municipalities, and right in our brief we suggested it go to education. And I think that would be our policy. I wouldn't want to see it come back to local government to be distributed over again.

MR. CLAYTON: -- Would SARM see any shifts in the net impact of taxation as a result of doing that; for example, a retired farmer on a small acreage or something of that nature?

MR. PHELPS: -- Well, I think that part of the shift would be alleviated now because his education tax on the home quarter has been removed. I saw a tax slip the other day where the person owns a half-section of land, paid just not quite $900 on that half-section of land, and the tax rebate, including the school tax on the home quarter, his cheque was $519. So I would say that they're paying less tax in 1984 than was paid in, say, 1981.

MR. CLAYTON: -- I guess this is really leading to the point I was wanting to make. At the current time, I find it a little complicated to talk about the rebate, including the home quarter program. I haven't quite got my mind around the combination of that along with the regular property improvement grant program, so perhaps I can simplify it by looking at an urban situation, but I think the principles are the same. In effect, if we assume that, on average, school taxes and municipal taxes are the same, at about the same level, then not only does the old-age pensioner get all of his school tax returned by way of the rebate, but also all of those with rather modest homes because under the grant program they get half their taxes. That is equivalent, really, you could say it's equivalent to the education portion of it. So really all, on a net basis, that they may be left with is the municipal portion at its current level.

Now if the rebate amounts were distributed back into school grants, say, from the province, those monies would have to be spread throughout ratepayers throughout the province. Who would benefit from it? Everyone would benefit on a more or less equivalent basis according to mills, so that those with extensive property holdings would get an extensive amount of relief. If we have, let's say, the

Hudson Bay Company or the CPR, they all would get the benefit then from lower education mill rates. By spreading it around in that fashion then . . .

If we just look at the rebate system itself, quite apart from the suggestion that revenue sharing may be rolled into education grants, let's just look at the rebates itself. Doing that in itself is going to end up having less relief going to those on low incomes with small property holdings, is it not? And therefore would this not be a regressive move, in fact, to eliminate the rebate program and roll it into grants to education? Mr. Volk, did you have a point?

MR. JAKE VOLK: -- It's not dealing entirely with your question, but the whole question of rebates. I think we've been treating rebates in the sense that they are targeted to low-income groups, and I'm quoting, I think -- at least if not directly, I'm paraphrasing -- Dr. Slack this morning who mentioned rebates are targeted to the low-income groups. I don't think that is really what we have here in Saskatchewan. In Saskatchewan the initial people who benefited from the rebates were farmers, small businesses, and primary residences, and I would hesitate to say that these are all low-income people.

I think it serves the second purpose, and probably equally important, and that is a redistribution. It's a benefit principle, a redistribution of the funds, rather than targeting them to people who are in need. I think we have overlooked that, and that's one of the strong points, I think, on the rebate program. If you can identify areas where a certain tax creates inequities, then you can have a rebate program which will address a segment of society that is not being taxed equitably. I think equity is a very important thing in this whole question of rebates, not simply the inability to pay.

MR. BRADY: -- Thank you. Just for clarification, Mr. Chairman, a question to President Herb. Is SUMA now saying, President Herb, that you're in favour of doing, or could be in favour of doing away with the rebate program provided that funding went to municipal government? Is that what you're saying?

MR. TAYLOR: -- No, we're not, Mr. Chairman. It was a hypothetical question asked by Mr. Linner, and I was answering his hypothetical question with a hypothetical answer. Our position is the same: that we think that the long-term for property rebate should be part of the package that goes to reduce the cost of education and property?

MR. WANKLING: -- Mr. Chairman, I guess I haven't been concentrating well enough on what's happening here. I think we started off by saying in the short-term, because we think that you will have some difficulty in persuading the government to make that kind of political decision for the next fiscal year, that is the doing away of the rebate system; that we suggested that there be, instead of a payout system as the system exists right now, that we have it deducted at source. In other words, don't ask the taxpayer to give us the money and then they have to go back to the government to get the cheque type of thing.

If you want to know whether that system exists. It does exist. It has existed, I'm not sure that it still does, but it has existed in Manitoba where it was deducted at source.

Then we got into a discussion about all this money coming back to the municipality, and that's where I got lost. If you do away with the rebate system, where is all this money that's coming back to the municipality coming from?

Our suggestion, I think, in the brief in Appendix II, was that because we've been asked the question so many times that if we do away with certain things, or we fund education, where are we going to get the money? Well, we've made a suggestion to them which includes -- you're putting 85 million bucks a year into the rebate system -- there's part of where you're going to get it. And so where is all this money coming back to the municipality. And that's where I got lost. I don't know whether everybody else around here has it all clear in their mind, but I sure haven't. And it's something that was asked hypothetically, I think, by Mr. Linner. So where did that come from?

MR. CLAYTON: -- Bob, are you going to take the blame for that, or are you going to clarify your question, or ask another one?

MR. LINNER: -- No, I was raising the point in terms of trying to get at where we're going with this money, more from the point of view of saying that, or asking the question whether SARM believes there needs to be a rebate program. In other words, part of your brief was on the context that the province is basically saying: property taxes are too high, therefore, they rebate part of it for you. And your'e the bad guy, and they're the good guy. And I was trying to get to the direction . . .

I realize very well that if education is removed, then certainly municipalities move into that territory, as it were, and I am presuming you are then saying that there is no more need at a municipal level for a rebate program. And I was trying to determine from you if, in fact, that was what you were saying, or I thought you alluded to earlier that you were looking at seeing that money become ultimately part of the urban revenue package. But you are not, I understand, and I don't think you would, and I hope you're not suggesting that rebates would continue to be necessary at the municipal, urban, or rural level.

MR. TAYLOR: -- You're absolutely right, through you, Mr. Chairman, to Mr. Linner. You're absolutely right. We feel that if that money was taken and used towards education, and education removed from property taxes, then there wouldn't be the need for a rebate.

I probably misinterpreted it. I thought you were saying: well look, if they don't use it for rebates and they suddenly decide in their wisdom, or whatever, to give you all this money back, how are you going to use it. I misinterpreted your question. But you're absolutely right, our feeling is that there would be no need for a rebate if the other process was followed through.

MR. WILKINSON: -- I think that in the SARM brief we made our position pretty loud and clear that we didn't like the concept of the property improvement grants. And I think we have to keep in mind that a few years ago the previous government did, in fact, use the property improvement grants in an attempt to hold the mill rates for education down to about 25 mills. And so it became an understanding that the property improvement grant was a refund of education taxes.

But you made a comment a little earlier, and I'm going to be the devil's advocate in this one. You said that if we did away with the property improvement grant and gave it to education, and they were to use it to meet their expenses, they would find that people like Hudson's Bay and big businesses would get a much larger share of this grant than would other businesses.

I'm just going to pop the question back to you and simply say, "What's wrong with that?" We want business and industry in our province, and the more we gouge these people the harder it is going to be to get business and industry into our province. So I suggest to you that any taxes that a business pays is passed on through their sales technique. It's part of their overhead, as we've indicated in our brief.

And so for those two reasons I just pop the question back to you: what would be wrong with giving these people the break? Maybe it would help us get business and industry in this province that we sorely need.

MR. CLAYTON: -- I think the way in which I raised that was to point out the fact of the thing, rather than to comment on whether it was right or wrong, although it's awfully, awfully hard to suggest that the old age pensioner ought to do with less tax relief. I guess I wouldn't come out on the side of that.

I think the main point to make here, and that's really all I was wanting to make clear if I could, is that there would be some fairly major redistributed effects of doing that. In other words, the . . . I know from time to time the comment has been made that at the local level taxes are levied, the government pays a rebate and makes themselves out to be good guys when in fact why didn't they give it to the local governments in the first place so they could keep taxes down. The fact is that, in terms of the bottom line, different people end up paying the taxes in different proportions. So there is a difference there, and we need to be aware of that.

You wanted to make a further point, Lorne.

MR. WILKINSON: -- Well it was just that in our brief we made the statement that if we . . . There's a lot of people getting the property improvement grant that obviously don't need it. We hear some pretty funny ideas of where they spend their cheque when they get it. But there's obviously people who get the cheque who need it, and there's obviously people who get the cheque who don't need it. And we just made the point that if we didn't give money to those who don't need it, we'd have more money to give to those in true need.

I would suggest that the government would be far better exploring ways of providing money to the old age pensioners who are short through another technique rather than through the Property Improvement Grant.

MR. BRADY: -- Thank you. Maybe I'm a little, (I shouldn't ask this question because you'll all agree) a little thick headed here. But if we were to remove the education costs from property, and urban governments, for example, were to give up revenue sharing, it would seem to me that they would then be moving into the tax field of increasing mill rates.

So really where do you see that the larger companies would have less taxation to pay? Because the government is going to have to generate the same amount of revenue, so I don't, in my mind, see a reduction in taxation for the large companies that we're just discussing. I see a problem of some support for people in need if the rebate program is totally done away with. But I don't see a problem with lack of taxation on industry or out-of-province or large corporations.

DR. LANGLOIS: -- Well, I'd like to pursue it in the same area, and I don't know what the numbers are around it, but currently the budgets for the various rebate programs are in the order of $100 million -- in that range. So the discussion that we're having right now assumes that the $100 million would be distributed or be provided through grants to boards of education. And it follows from that, assuming a natural course of events, there would be a general reduction in property taxes by virtue of the increase in grants, assuming that there wasn't an opportunity to raise expenditures significantly, but through the normal course of events.

If there is, indeed, a general reduction in property taxes, then I'm inclined to agree with Mr. Clayton that there is a fairly significant redistributive effect.

The group that I'd like to address myself to, and I have some comments for SARM if I could, is that the farmer, with the home quarter rebate program that's currently in effect -- and I don't know if I'm right here -- stands to lose more. He'll have less money in his pocket when everything is done after the abolition of the rebate programs -- the very people, I think, that we expressed concern about this morning.

We're talking on the home quarter. Mr. Phelps, I think you used an example of $519 in terms of the rebate program. Well if there were a general reduction in property taxes, and again I don't know what the numbers are, let's say it's 10 mills, what would 10 mills on that particular quarter be? What I'm saying is that there might, in effect, be a net loss to the very people we're trying to help.

MR CLAYTON: -- Dr. Langlois, before we turn that over, I'd just like to take the numbers that you mentioned, Herve, and do a little bit of simple arithmetic. Approximately $100 million in property tax rebates, if distributed to schools through the school formula, would mean that schools divisions would be able to reduce their mill rates by an average of about 35 mills -- around that, roughly -- given the total assessment in the province.

Now the average mill rate at the present is just over 100 mills, so you would be able to reduce it by 35 mills. Okay. Now that means that there would still be 65 mills worth of school taxation . . . Anyway, if we take 35 away from 100, I guess that's 65. If the average school mill rate is 110 -- 75. But anyway it's in that area, and the point being that there are indeed --and it's not just old age pensioners -- there are indeed a good number of people with modest property holdings that probably also, by and large, have modest incomes that currently get all of their school taxes rebated, or the equivalent of that 100 mills. Under this suggestion they would end up paying 65 mills. Now I don't think there's anything wrong with my arithmetic there, or if there is, I think it's in minor amounts, but I stand to be corrected.

MR. TAYLOR: -- Mr. Chairman, your figuring is good, but what we have said all along is that the tax rebate would be part of the total package that was used to finance education, not just it in isolation.

MR. CLAYTON: -- I think though, part of your total package was that revenue sharing might be thrown in. Again if the revenue sharing moneys that would be put into education are no longer available, then, to municipalities, there would be somewhat of a redistributive effect, but overall the net effect for the small property owner is likely to still be that 60 or 70 mills more of net tax at the local level. I may be wrong. Maybe even my fellow commissioners would like to correct me on that. Maybe we're getting into too much arithmetic here when we're not sitting down in small groups with pencils and papers and that sort of thing.

MR. ROWLATT: -- It strikes me that we're all getting into too much detail at this point of time. It seems to me the question that the commissioners are raising is a general one, and that is that the property tax rebate program, whatever you want to call it, and however it runs, redistributes substantial amounts of money - $100 million. In ways it helps some small property owners, some home-quarter owners in particular, because of that one feature of the program. If that is to be poured back into the system in

I think the point I'd like to make this afternoon, Mr. Chairman, is that at this present time, and given the time restraints that we have, we are asked to consider our position for the short term for the '85-86 budget. I think the other matters are so important that they have to be addressed in-depth more so than we have time here today. So we say that for the short term, leave it as it is, the rebate program for the '85-86 budget, but let us deduct it at source.

MR. CLAYTON: -- I'd like to suggest that we now move on to the consideration of capital programs, unless there's any one that really feels strongly that we ought to remain on the current topic.

MR. KIRWAN: -- Yes, Mr. Chairman, I'm something like Mr. Wankling here. I'm becoming more confused at the time goes on with respect to resource revenue sharing or revenue sharing being rolled back and one thing or another.

I think we have somehow strayed off, or away from what we had originally proposed, and that is, we have simply said . . . Well, I shouldn't say simply, but what we are saying is that we move the school tax from property and implement it with another tax. But we haven't dwelt on that aspect of it.

If we remove the school tax from property, we, in effect, are reducing the tax load by approximately 50 per cent. And at the same time you are removing the property owner from the position of being the underwriter of our education system, and that's what's bothering people. But by moving it then to another tax that would hopefully -- and we have made the suggestion that it would be a tax on basic income -- that that tax would then create the same, ideally, $250 million which comes from property tax now. And at that point we wouldn't have to even deal with the matter of revenue sharing or anything like that because those grants are tied to the municipal operations and not to the schools or anything else, because the rebate programs were targeted at the school tax, specifically. Initially the homeowners grant was targeted at the school mill rate, and so is the most recent one; that is the home quarter rebate. That's targeted right at them.

What we are saying now though, that of that $250 million that will now be raised with this new tax -- and we have to understand that since it is based on basic income -- which we know very well will vary from year to year, we are saying, look you can take those moneys that you are now paying out on those rebates and use that as the cushioning effect for those swings that may happen within the basic income concept, the swings in that revenue.

So at this point I don't think we should get too hung up on the rural revenue sharing aspect of it. I think those programs should stay in effect. All we're saying is, if there's some shortfall in our idea, then we will negotiate a little bit of those. But we're not at this time saying that we're going to give them up.

MR. CLAYTON: -- Thank you, Mr. Kirwan.

MR. ROWLATT: -- I would like to jump in on this question of the income tax. It's fairly easy to say: let's look at the income tax because it's a better form of taxation than property tax perhaps. But when we're talking about something in the order $250 or $300 million, let me put that into perspective as to what kind of income tax we would have to have. Now I appreciate there is a distinction between what you're calling basic income tax versus the current definition. But for the bulk of taxpayers/wage earners, that distinction is very narrow.

Leaving that aside for the moment, let me define this in terms of the current income tax which I understand, and I know the numbers. To raise the kind of money we're talking about here from income tax, Saskatchewan would have to have a 70 or 75 per cent rate of income tax. This is the long and the short of it. Our current rate is 51 per cent; we raise approximately $700 million with that. To get another 300 or 300-odd million dollars we would have to go up another 20 or 25 points.

Mr. Kirwan, earlier today I think, quite properly used the term: let's be realistic about things. Well, I think we ought to be realistic about things when we talk about income tax too. I just do not think it is practical to contemplate an income tax in a province like this which is a far distance above any other province. So, yes, let's be realistic, but let's take these numbers and take them back to what they mean when we talk about the other tax sources too. I say to you we have to be as realistic there as we are in talking about the burden of the property tax.

MR. CLAYTON: -- Can we move on the subject of capital grants. I think one of the more obvious reasons why capital is looked upon as a very definite problem to which some short term answers have to be given is the fact that the community capital fund, the second version of it, is now in this year coming to an end. Obviously that results in our needing to contemplate whether there ought to be a replacement to it; whether there can be some consensus on a long-term program; or whether it's going to take a longer time to discuss what might be appropriate in that respect and, therefore, look at an interim solution in the meantime.

I expect that SUMA has given a fair bit of thought to this since the community capital fund is a program primarily for municipalities. There are other capital issues that certainly impact on schools that we may wish to get into as well. But, I think, at this time we'd be pleased to hear from SUMA in regard to any comments on capital.

MR. TAYLOR: -- Again, Mr. Chairman, in the short term and the long term, we have appreciated the fact that over the last year we have been meeting with a committee of the department, negotiating a new capital funding program to replace the one that is reaching the end of its term.

A couple of points that we have made, and I think I said it yesterday, that the two previous programs have been very good. The one feature that is lacking, has been lacking, in the last two programs since -- the matter of indexing.

I think I used the illustration yesterday of where a municipality might find it takes them three or four years to raise their portion that is necessary for the project, and by the time they apply, of course, the value of the dollar has slipped from what it was at the beginning. Likewise, the cities are only allowed to draw $20 per year. The smaller communities can draw their whole $100 per capita in one shot, whereas the cities can only draw the $20 per year over the five-year period. The experience in the past, of course, has been that each year the value of the dollar slips, and we feel that there should be serious consideration given to the principle of indexing the base annual amount.

There's another matter that has come up, and I neglected to mention it yesterday, is that the present community capital fund is an unconditional grant -- cost shared. But the province also provides conditional capital support programs. And we do have some concern in respect to the conditionality itself.

The province makes funds available for projects that it specifies, and in order for a municipality to qualify they must undertake those projects whether or not they are priorities at that particular time in the municipality. And, of course, if the municipalities don't make use of the funds in a specific year, then the funds are lost to them even though their needs in other areas of expenditure are great.

We believe that when the province commits itself, through the annual budget, to make support available to local government, it should, in fact, make those funds available to meet the local priorities and not necessarily those of the province.

Now if the province believes, though, that it must maintain some measure of conditionality, then we suggest that they could advance the funds to the municipalities each year to be held by the municipalities, in trust, for the specified projects to be expended on those projects at the discretion of the municipality. In other words, not be tied into: here's the money for certain projects this year. But a city cannot take advantage of them this year because they have other priorities (that money has been set aside by the government); all right, let the municipality have it, in trust, or to their bank account with the government or something like that. Those are two matters in the short-term regarding capital funding.

We certainly want to see, and there must be, we feel, a capital funding program in place by the first of April this year. We wish it to have an indexing formula, and we wish the government to give ear to what we've just said about the conditional grants, that they're not chopped off if a community cannot take advantage of them in that current fiscal year.

Mr. Chairman, I won't delay the conference with what we believe about the long term, because I spent some time on that yesterday. We still feel very strongly about this, that the ongoing capital needs of our municipalities within the province, not only new works, but what is bearing upon many of us, is the necessity for the replacement of infrastructure. That is something that is starting to be a big burden. And, therefore, we strongly request and suggest that the only way these mammoth sums of money that will be required to be found will be through the tri-level process.

And while we're speaking of that, we must also say, and I didn't mention this yesterday, how very worthwhile we believe it is that there has been set up the Crown Water Corporation. Because as a result of the ministerial committee that toured the province, we were able to be in attendance at some of them and had the privilege of submitting a brief. When it has all come out, it has been discovered, what we suspected, that the water needs of the present, and of the future of our province, are great in size.

Again, this is another area where we feel that for the amount of moneys required, not only will the municipalities and the province have to expend large sums of money, we believe it is beyond even the capabilities of our two levels of government. Therefore, we would support the provincial government in whatever representations they wish to make to the federal government for them likewise to become partakers in helping to resolve the present and future water concerns of our province.

We have no hesitation in making that request that the federal government become partners of it. They have been partners for the provincial governments in the matter of oil, which has been a great commodity to our country. Many of us are coming to believe that, while oil was a great natural resource of the past few decades, the time is coming when the great natural resource that we have to look after is our water. I think I'll leave it at that, Mr. Chairman.

MR. CLAYTON: Thank you very much, Mr. Taylor. Mr. Wankling, did you want to elaborate?

MR. WANKLING: -- Just one comment, Mr. Chairman, Alderman Taylor alluded to it with respect to the capital support program, and that's the current program and its predecessor were put in on a term basis -- a fixed term basis.

We have put forward the suggestion, and we've had it raised by a number of our members, particularly the larger communities whose forward planning in capital terms, particularly, is perhaps more advanced than with some of the smaller communities.

We would like you to consider the possibility in putting in a capital program, introducing a capital support program, not limiting it to a specified term.

The reason why we say is that, of course, that our communities would find it easier, I think, to do their fiscal planning and their physical planning if they had a reasonable assurance in their minds that there is and will be a capital funding support program from the provincial government particularly, and hopefully the federal government as well -- although, certainly we have difficulty in trying to persuade them sometimes -- not that we have it easy with the provincial government. We think that our communities would be able to address themselves better to their financial planning if they were assured that there was capital support program in place, and would be continuous.

MR. CLAYTON: -- Thank you Mr. Wankling.

MR. THIESSEN: -- My question is just one of clarification really, because I can't speak in regard to capital funding from knowledge, just from hearsay, and things that we've heard. But Alderman Herb did say that you lose funding . . . When you sit down and establish your own priorities, you spoke about losing that funding. I was just wondering; do I read you correctly? Are you losing it, or is it just a postponed payment -- I was trying to follow and I was being very careful -- is it funding that you have totally lost, or is it just funding that you can pick up at a subsequent later date?

MR. WANKLING: -- Mr. Chairman, through you to Mr. Thiessen, there are a number of capital support programs from the provincial government that are on a conditional basis, and the most notable one that is the urban assistance program. We made a brief reference to it in our brief. It's shown as Appendix V, and I must confess that the Appendix V doesn't show you a heck of a lot, but it's identified there in any event.

Now the urban assistance grant has the kinds of conditions attached to it, as we understand it, that if you have a program of that kind, yes, you can apply for and get the money in a given year. And the province, of course, budgets for X number of dollars in their provincial budget.

If, however, you don't have a project in that particular year that would qualify under that conditional grant, the urban assistance grant I'm speaking of specifically, then the province does not have to expend that money, notwithstanding the fact they've provided for it in their budget. And it's lost to the municipality. That's simply all we're saying with respect to conditional grants.

An alternative to that is if you wanted to maintain, from a provincial point of view, some condition, you might provide those moneys budgetarily, and then pass those moneys over to the municipality, or as Alderman Taylor has suggested, held for account of that municipality in the given year to be expended to them when they are ready to do that particular project that qualifies under that particular program.

So we just say if you don't have some mechanism of that kind, and you don't have a project that meets the conditions in that particular year, then the money is lost to you. So while the province looks good in providing it in their budget, they may not necessarily expend it.

MR. CLAYTON: -- Does that answer your question, Mr. Thiessen?

MR. ROWLATT: -- Yesterday we were pursuing this notion of rejuggling autonomy and rejuggling grants and education financing, and I posed for you the question of, "If enough room were cleared off the property tax base whether or not . . ." I think I used the term, Alderman Taylor, "Or live forever on the property tax base." I got a light jab back, quite properly so, when you pointed out to me that one council really doesn't commit the next council.

I then, if I may jab back a little bit, suggested the question of a long-term, open-ended commitment to capital funding from the provincial level of government to the urban level of government so that your planning might be facilitated, does leave to the higher order of government a commitment, a long-term commitment, that would, I guess, be passed on to future governments that seems to be acceptable.

Leaving that aside though, I want to go to this question if there were sufficient room on the property tax base that you could finance both your operating and your capital requirements. It seems to me, and I'm not suggesting necessarily as we talk of these hypothetical things, nothing would seem to me to provide clearer autonomy and clearer capacity for long-term planning for these important, and I fully agree, long-term capital requirements, than that kind of clear fiscal autonomy.

MR. TAYLOR: -- Looking at our own community, we look at the projects that are coming up that we are in now, and that we look at in the future, and there is no way that the amount of dollars involved, even if education was removed from property tax, there is no way that the property tax itself would ever be able to handle these projects, along with all the other things that need to be done.

When we talk about, say, a five-year program or commitment, it's then agreed between the province and the municipalities that each year the municipalities have to submit a projected five-year capital program to the government. We believe in this wholeheartedly; we think it makes for good planning. There is the proviso, though, that year by year, as things take place in the municipality, that their priorities may change, and we are allowed to revise that five-year program, perhaps move something up from what was to be the fifth year up to the second year, and so on.

But to answer your specific question, there is no way, and especially in our smaller communities, where if, as you say, the cost of education was taken off property taxes, that they could finance capital works; no way. They couldn't do it.

MR. ROWLATT: -- With the numbers here at the present time -- and let me just come close, I won't get them quite right -- but there's about $300 million worth of school property tax. Total urban/rural revenue sharing and property improvement grants is $150 million to $200 million, depending on which of the property improvement grants one wants to include in that, still at the current time, $100 million worth of difference. Now there's some capital money. I can't tell you the exact numbers, but $20 or $25 million in any given year, at the present time, may not be out of line.

Are you saying, Alderman Taylor, that the infrastructure requirements out there are so huge, that even the current gap of $60 million to $80 million a year, in this arithmetic I've just done for us, is inadequate to meet that need? And, if you're saying that, we're facing something very different than we're all talking about here.

MR. TAYLOR: -- With your arithmetic, sir, you've stated there's about $60 million or $80 million available for capital works? Right. Taking that, I think the figures alone, on water projects, water and sewer projects that need to be done, and that we are faced with, come close to the $2 billion mark. Now $60 million doesn't go very far towards that.

I'll ask my colleague, the executive director, who did a survey of our municipalities and of their current needs that are coming up, and he could perhaps . . . Have you got the figures there?

MR. WANKLING: -- Mr. Chairman, no, I don't have the numbers here. I can say that we did the survey at the request of the Department of Urban Affairs, recognizing that the current capital support program is coming to an end at the end of March '85. To try to answer the question that yes, there is a continuing need for capital support, we asked the questions on the basis of giving us a five-year projection. The larger cities sometimes like to work in terms of 10 years, but generally most communities work in five years, which is a principle that has been accepted by our communities over the years as a result of the community capital fund.

Naturally, in the first two years of those five years, their projections were quite substantial, and I would have to think were reasonably accurate because they're fairly close at hand. They have a tendency to kind of tail off towards the end of the five-year period. But it did verify for us what we had been trying to say to the officials of the department, that there is still a substantial requirement for financial support out there. I think I can honestly say that the two large cities certainly added substantially to those numbers, but there was a multitude of projects indicated by all of the communities that they foresee having to undertake in the near future.

The other point we tried to make in our brief was that there were many programs, water and sewer programs, initiated in the early to mid-sixties throughout Saskatchewan, and we're now 20 years to 25 years down the line, and some of these lines and so on are starting to deteriorate, so they are confronted with that kind of thing, as we see it, in the near future, and we think that this will grow. I think it's fairly natural. We've had some communities, because of certain local conditions, have had systems deteriorate, even before they had been paid off through a debenture system. But we feel that the infrastructure that exists there, in the next 10 years is going to have to be looked at very, very closely, and the financial support will have to be there in order to maintain that infrastructure.

MR. CLAYTON: -- Thank you, Mr. Wankling. Mr. Linner wanted to speak, then Mr. Phelps, and Dr. Langlois, and Mr. Brady. We'll try to get through these. Bob, were you wanting to carry on along this same line? Okay, I think we should get this particular line of questioning, allow that to be completed, before we move on to Mr. Phelps who, I suspect, may be wanting to get us on a somewhat different line.

MR. PHELPS: -- No, same line.

MR. CLAYTON: -- Oh, I see. All right. Mr. Linner.

MR. LINNER: -- Mr. Chairman, first of all, I want to mention I didn't want to miss the opportunity to pursue this, Dick. We're on the same cylinder on this topic, and I thought I'd better carry on quickly.

Just following along Don's theme there, and certainly on your theme and Alderman Herb's, about the long-term stability and predictability of that capital financing, which I consider probably the number one issue in that whole area, and Don went into that area of that gap of money that might be there with taxes. Let me take a slightly different theme on that over a slightly different direction, the same area.

You mentioned in your brief there's some talk about alternate sources of revenue potentially available. Have you given thought to something not unlike the surcharge that's on power? For example, an E&H surcharge or a gasoline surcharge, some other source of revenue that could be indexed and surcharged in some manner, and thereby be a continuing source of potential capital dollars; in other words, a new source of tax dollar out there quite apart from property tax, remembering all the problems we have about its equity and some of the difficulties it imposes to people, such as the SARM people were talking about.

There seems to me to be a potential area there, quite apart from that tax area, where I think Don makes a valid point, but I think it very important in when we carry on these talks about autonomy and responsibility, etc., of the local government, which I agree with 100 per cent, that we try and earmark for us sources of funds to which we have direct access without appearing to be puppets on the string to the province. And I don't think they want us to be that, any more than we want to be that.

If we're going to be masters of our destiny, do you believe we should access some other source of money? For example, the current community capital fund program is $25 per capita; that's $15 million a year, about 1 per cent on Don's income tax, on top of the other 20 that he's going to ask, in those kinds of numbers. Is this part of your theme, and have you pursued that, and do you find that acceptable . . . as you then becoming accountable, as it were, because you're going to be the one who's going to take blame, if I can say that, for raising the gasoline tax or the E&H tax?

MR. WANKLING: -- Yes, Mr. Chairman, I can't find the exact page in our brief here, but we talked about it in the context of operational funding, I must confess, rather than capital, but, nevertheless, we did make a suggestion which will horrify the provincial government, I'm sure, about the imposition of a tax on motor fuel at the local level. That's one area that we've suggested. We haven't pursued any numbers on that. We did pursue at an earlier date, with the officials from the Department of Urban Affairs, the possibility of the allocation of, say, one or one and one-quarter points of the provincial E&H tax, i.e., sales tax, or vice versa. And as we went through the process with them, we found that it was not going to, in itself at least, yield the kind of revenue required.

However, in answer to your question, yes, we have looked at some of these. We haven't gone into it in detail, and I can agree with what Mr. Rowlatt's saying, that the ultimate in local autonomy, I guess, is if you have all your money yourself. His question is a difficult question to answer across the floor here without sitting down across the table and banging out the numbers. What he's suggesting may very well be possible and true, and we wouldn't need the provincial support. However, the thrust of our brief here, at the present time, is that we're looking to be masters with respect to the operational funds, but we're still suggesting we don't want to give up the ship yet with respect to the capital funds. If you got that from our brief, then you got the message that we were trying to convey there. Whether you agreed with it or not is another question.

We have looked at some other sources. The administrative difficulties, perhaps, may be such that it's not a practical thing to do. I don't know. We have not gone into that kind of detail, but we certainly have not ruled it out of our thinking.

MR. CLAYTON: -- Mr. Phelps, you've been waiting a long time. I can't understand how you were only third on the list and it took this long, but anyway . . .

MR. PHELPS: -- Okay, thank you very much, Mr. Chairman. I was beginning to think we were imposing on a meeting between the commission and SUMA. Just a pun there.

I just wanted to say that on page 21 of our brief we talk about capital funding and, under the previous government, we just about had capital funding. It's like the bumper crop that I just about had this year, but the hail got it on me, and we didn't get it. We make it quite plain in there, in our brief on page 21, that we wish to participate in capital funding, too. If the present government is going to go ahead with capital funding for urban municipalities, we certainly want it for the 299 rural municipalities in the province, and, as we say in our last line, the costs are there, the needs are there, and we want fair treatment. Because to buy a grader in the rural areas is just as expensive as it is in the urban areas and, after all, we in the Saskatchewan Association of Rural Municipalities are building a secondary highway system in this province, in the grid roads and the super-grids, and so on.

I just wanted to make that point. Me, too.

MR. CLAYTON: -- Would anyone on the commission wish to raise a question in connection with that point?

DR. LANGLOIS: -- Mr. Chairman, I tried to punch $2 billion in on my calculator and ran out of zeros. I suspect only Don Rowlatt knows what $2 billion looks like. But none the less, the question that I would like to raise in relation to that is that, given the problems identified in relation to the infrastructure, is it possible that at least for the next X number of years that we cannot afford the luxury of a per capital distribution for capital funding and that, rather, we need to go to another type of structure for the distribution of capital funds to meet the very problem that you've identified around the infrastructure? Surely that, for you, is identified as a high priority item, as something that really needs to be addressed.

Given the economy, given the difficulties that governments at all levels are having with respect to financing, is it possible that at least for several years in the future, that rather than having an unconditional per capita community capital fund, that we, as a commission, should be looking at trying to develop some structures which will address the very problem that you raise without, in fact, putting at risk the outlay of many additional dollars of expenditures for other projects that might be secondary in priority?

MR. TAYLOR: -- Thank you, Mr. Chairman. I think I remember hearing myself say yesterday that one thing that we should be conscious of during this conference and during the coming weeks and months in the next two years, is that we should be open to suggestions and to discussions, and not to rule anything as impossible or out of hand, just with a flip of the hand.

And so, Dr. Langlois, what you are saying and suggesting, I think we will certainly have to sit down with the commission and discuss it. The only thing I would say, seeing that the length of the commission is rather short in terms of what we're thinking about, the long planning, two years is but a moment in time, almost. Bearing that in mind and the obligations we feel we have to our municipalities, and also bearing in mind what you rightly point out about the restraint, I would have to, as president of SUMA, say that yes, we'll sit down and explore anything, especially as it pertains to long term.

But in talking terms of the '85-'86 budget, we'd have to ask for that capital funding, certainly for that year, because of our negotiations which have been going on quite successfully, and the expectations and the pre-budgeting that has already taken place within our municipalities; it would be rather disastrous if there wasn't anything in place for the '85-'86 budget. But we certainly would be more than anxious and interested to discuss in detail. As I said, on the rebate program I think we could spend another one or two days' conference just on hammering out something on long-term capital funding.

DR. LANGLOIS: -- Mr. Chairman, just a short supplementary. On the basic principle of distribution of funds, is it SUMA's position that per capita distribution of capital funds is the best way to go, rather than an equalization formula or that kind of thing? Is per capita the way to go?

MR. TAYLOR: -- Yes, by and large, we do. Especially on the capital funding the per capita seems to have been the best. Revenue sharing's a little different, but on capital funding, yes.

MR. CLAYTON: -- Ted Brady, you've been waiting a while.

MR. BRADY: -- Well, thank you, Mr. Chairman. My question has been partly answered but, as a commissioner or as a commission, we've been asked to review financing of local government, look at new ideas and bring in a report, final report, within two years and, in the second breath, we've been asked to bring in a recommendation for a new capital program in two or three months. I find that, as a member of the commission, a task that I'm not very comfortable with having to deal with.

However, having said that, I'm wondering, from an urban government point of view, could we be looking at an interim, one-year capital program pending the outcome of our discussions on education and property tax, and rebate programs, and so on, so that we don't get locked into a long-term program at this time? And if we were to look at a one or two-year program, what would be the magnitude of the dollars that would be of value in that interim period?

MR. TAYLOR: -- Well, good question, friend. I think what I'd like to do is to turn around to my colleagues and start the bidding process, and say: who will bid a hundred, and who will bid a hundred and twenty-five? I appreciate what the commission has got to do. Two-year would be a good, you know, giving the length of the commission, the time it would take to put it in place and what have you . . . I suppose we would probably be reasonably happy to . . . if it was the same figures for the next two years.

MR. CLAYTON: -- Thank you, Mr. Taylor. We have the choice of carrying on a bit or breaking now for coffee. I leave it up to you, Don.

MR. ROWLATT: -- I don't like coffee very much anyway. I have just a very small question in response to that. We face very, very substantial capital requirements. Some are more important than others in terms of the priority of them. This year, as I understand it, the government said to the three hospitals in Saskatoon: your needs for hospital facilities are very substantial. There is only so much money in the world, it doesn't come on trees. You look at your priorities for how you think a certain amount of money ought to be spent, and you tell us. And that's happened, I believe, Mr. Helmsing. Is it at all feasible to contemplate the urban municipalities saying in respect to X amount of dollars: this is our priority list; these are where the needs are greatest, not a per capita basis. But this is where the need is, this is where the money . . . We've talked about efficiency here, haven't we? This is where the money can best be used. Is that out of the world of possibility?

MR. TAYLOR: -- Nothing's impossible, sir. I'd make it clear, though, we could do this through our association. We could go back to our communities. I don't know whether you're saying on a province-wide basis or on a . . . I think we'd have to look at it, get the municipalities to say, okay, in the next two years these have definitely got to be done. Otherwise the thing's going to cost a lot more down the long road. It would be a case of getting our municipalities to priorize what is necessary, and then we could come up with the dollars. It may be that then it wouldn't be on a strictly per capita. It might be on different amounts per community. I say, nothing is impossible. We haven't tried that, but we'd be willing to have a shot at it.

MR. WANKLING: -- We did, in essence, take a shot at it when we did our survey, because I think we made it -- the questionnaire -- in sufficient detail, so that the communities could indeed identify what their immediate projects would be in the year '85-'86 and . . . well, '85, because we work on the calendar year. So, to some degree, we've got that information now, although you can appreciate that every municipality didn't respond. I think that we can identify reasonably well what the priorities might be, but then you're putting us in a position of selecting the priorities, perhaps, for the communities, and that would really be difficult for us to do.

MR. CLAYTON: -- Don, we'll follow up from this short question of yours.

MR. ROWLATT: -- That's precisely what I'm trying to do, in a sense, to say with autonomy comes accountability. If the list of projects which are priority is ten times as long as the money that's available, it's not a priority list at all. It's got to be close, anyway, and I guess I'm suggesting: is it possible to do precisely what you're worried that I'm trying to do? And that is to say come up with a priority list only as long as the money.

MR. TAYLOR: -- Yes, it is, sir. And I'd like to point out too -- and I'm probably, like all of us, getting tired and misreading you -- those five-year programs is not just a wish list or shopping list, it's a serious list. Yes, we could go and have a shot at that.

MR. CLAYTON: -- Thank you, Mr. Taylor. Mr. Wilkinson wanted to make a short point, and we'll definitely then break for our coffee break.

MR. WILKINSON: -- Mr. Chairman, in our brief we've indicated that we recognize the economic restraints period we're in, and as an association are prepared to co-operate with the government in that regard. I would like to just, for the record, kind of spell something out here, and that is that your own commission has come up with statistics that indicate that the governments in the last few years have treated our urban counterparts possibly a little more generously than they have, you know, treated our rural people in terms of grants, of the various programs that they're getting. This capital funding is one program that they have been getting for about 11 years. We have been asking for it for almost that many years and have not been successful.

I believe that, given the fact that the urbans have been treated in this regard, and given the fact that rural people are paying a much higher tax for the services that they are trying to provide, and that about half of the money that is being spent is providing the old system which is used jointly by urbans and rurals in the population in general, I would sure like to see the commission give consideration to these points as you go back to setting out the dollars for the coming year or two. Like Mr. Taylor said, for a year or two we would realize that we're going into a whole area of possibly reorganization of local government financing, but certainly in the two or three-year period I really believe that it would be fair if the government were to adjust the grant system that is currently made to rural municipalities. Certainly, if they want to call it a capital grant, fine. If they want to add money to the road programs that they currently have grants for and say that if you want to use that money to buy capital equipment or spend it on capital roads, it doesn't matter; but, as I say, the need is there, and the need is really there because the cost of road building equipment is getting just tremendously high.

I would just end it with that thought that yes, again, we'd like you to give us fair play, maybe even retroactively.

MR. CLAYTON: -- Thank you, Mr. Wilkinson. We will resume at 20 minutes to 4.

ADJOURNMENT

MR. CLAYTON: -- Ladies and gentlemen, can we resume now, please? We thought, ladies and gentlemen, and this is based on some discussion among commission members, but also those of you from the local government organization delegations, that we might carry on a bit further with capital. I think we've missed so far talking about anything having to do with school capital, and we don't quite want to let you folks off that easily over there. Besides that, we don't want to have this continuation of the meeting between the meeting and SUMA that Mr. Phelps is referring to. I think there are a few things that the commission would like to explore in the area of school capital, and perhaps some other more general questions on capital.

I think there was a feeling that, once we have done that, perhaps we can move from that into a few summing up statements. In that respect, I would be calling on each of the organizations to take just a very few minutes, perhaps three minutes each, and I would be pleased to endeavour to take it from there and give an overall summary. I think that there was a reasonable consensus that we should proceed in this direction, so, in the absence of any opinions to the contrary, we will now proceed to resume the discussion on school capital . . . or on capital, and to get into school capital in particular. Could I ask Don Rowlatt to raise a question or make a comment in this respect, please?

MR. ROWLATT: -- Thank you, Mr. Chairman. The brief from SSTA and the discussion we had yesterday -- it was clear to us that the association was, if you will, quite comfortable with the current capital formula for schools. If I can just remember correctly, the result of the current capital funding arrangement for schools is that the provincial government, either directly through grants or indirectly through recognition of capital costs, can finance in the order of 90 per cent. I believe that was the number you used, gentlemen.

Given the very significant capital requirements elsewhere, and given the demands on the operating base elsewhere, are we by such a rich, if you will, provincial share versus local share for school capital, possibly distorting local priorities towards capital and away from other kinds of enrichment of your school system which may, if not affected by financing formulas, be higher priority for your children and yourselves?

MR. JAKE VOLK: -- I'm not sure that we would say that we have our priorities misplaced. I think we recognize that the capital projects are certainly necessary and, undoubtedly, those priorities could be shifted, and we could be saying, "Let's take some of the money that goes into capital and use it for something in the operating areas. Our capital expenditures are relatively small."

When you speak of a large amount of money, the direct capital contributions from the provincial government are not that large, somewhere in the order of $13 million if you take the capital grant, as compared to $333 million when we're talking operating grants. So it's really a very small portion. Now, granted, there is of course a fairly heavy capital component in our operating grants, as well, because of the debenture . . . the debt retirement in the operating grants.

I think the question, Don -- maybe I've missed the question -- is do you think that we're suffering, that we might be well advised to take a look at our capital expenditures, reduce them, and use that money, say, in the operating, and do some of the things that we may not be able to do under operating, and serve our clients better. That's your question?

MR. ROWLATT: -- Yes.

MR. CLAYTON: -- Do you wish to carry on, Mr. Volk?

MR. JAKE VOLK: -- I would just simply say that I don't think so, but maybe some of the other members of the association might want to comment on that.

MR. MANN: -- I don't think so either, Mr. Chairman. Finance committee last fall went around the province talking to various boards, and one thing, I guess, that came out pretty clear from these different meetings was that capital should not be changed, I suppose, for a variety of reasons. I'll just give you one, in particular. I come from a small school division, very small, in fact, and if the capital were to be raised more locally, there'd be school divisions who would not be able to build a new school or new facilities, and, I suppose, maybe that's one of the reasons why we don't like to see it changed. Certainly there was talk that maybe the four mill cap could be raised. I suppose there's many possibilities how to look at that, but as far as school boards wishing to put more input into capital, I would suggest that maybe leave it the way it is right now and have a look at it, maybe raise the four mill cap, something like that.

MR. ROWLATT: -- I guess I asked the question a little more gently than I intended to. We have talked a lot about autonomy, and how important it is to school boards, and how, with autonomy comes accountability. Where, in the operating side, 70, 75, 80 per cent external funding and some local funding is, sort of, as far as you feel you could go and still retain autonomy. Your argument of diverse capital needs is appreciated; I understand that. But I guess I am bothered by the fact that 90 per cent funding doesn't bother autonomy too badly when you've got it, and on the capital and operating it's not the same.

MR. JAKE VOLK: -- I don't think I'd agree with your observation, Don, that 90 per cent doesn't affect our autonomy. It does affect our autonomy, and, as we mentioned in our brief yesterday, we are prepared to admit that in the capital funding, the capital arrangements that we have, we do not have the autonomy that we do have in our operating grants. First of all, capital, the very nature of capital, doesn't make it nearly as imperative that we have that much local autonomy as we do in the operating grants because of the nature of operating and capital.

The second thing is that we fear in the capital requirements, the capital needs of boards are such that they are very unique to individual boards. You can name the boards in this province who are going to have capital commitments to make, and heavy capital commitments. And you could also name the boards in this province who have no capital commitment in the forseeable future. And therefore to set up a formula, or to expect these boards that have heavy capital commitments year after year to ask for a heavy local input would be destroying that equity we talk about.

You will recall we mentioned in our brief that the two concepts of equity and local control have to be weighed, and, we think, in the capital, particularly, because of the nature of the things that we've mentioned, that the local control has to be sacrificed for equity. We think the equity, if we stressed local control, we'd be creating a situation which some of our boards simply could not live with.

MR. CLAYTON: -- Mr. Neufeld, I believe you had your hand up.

MR. NEUFELD: -- Just a comment, Mr. Chairman. Mr. Rowlatt mentioned autonomy. I think that within the 90 per cent that you mentioned, we still have a certain amount of autonomy and probably a great deal of autonomy. First of all, we're talking about approved capital projects, and before we can proceed with any capital projects, we must have the approval by the department in order to get the 90 per cent. So I guess you can say maybe we don't have the autonomy to make the final decision.

However, as far as the 90 per cent is concerned, in our own school division two years ago we had a fairly major capital project which had been approved. We felt that it was not quite adequate for the system that it was in, and we decided to put in a fair chunk of local funding in order to get the type of capital project that we felt we needed, and we were not restricted at all in that case. And the people in the communities certainly did not object to it, as well, so we did have some flexibility there.

MR. CLAYTON: -- Thank you, Mr. Neufeld. Herve Langlois.

DR. LANGLOIS: -- Mr. Chairman, I was just going to make a comment about two different kinds of capital funding that we've discussed this afternoon. The capital funding for schools is based on the notion that an application is made to the province, the province establishes the priorities on which funds are provided and decides which projects will be provided, and then funds accordingly, based contributions from the provincial government are not that large, somewhere in the order of $13 million if you take the capital grant, as compared to $333 million when we're talking operating grants. So it's really a very small portion. Now, granted, there is of course a fairly heavy capital component in our operating grants, as well, because of the debenture . . . the debt retirement in the operating grants.

I think the question, Don -- maybe I've missed the question -- is do you think that we're suffering, that we might be well advised to take a look at our capital expenditures, reduce them, and use that money, say, in the operating, and do some of the things that we may not be able to do under operating, and serve our clients better. That's your question?

MR. ROWLATT: -- Yes.

MR. CLAYTON: -- Do you wish to carry on, Mr. Volk?

MR. JAKE VOLK: -- I would just simply say that I don't think so, but maybe some of the other members of the association might want to comment on that.

MR. MANN: -- I don't think so either, Mr. Chairman. Finance committee last fall went around the province talking to various boards, and one thing, I guess, that came out pretty clear from these different meetings was that capital should not be changed, I suppose, for a variety of reasons. I'll just give you one, in particular. I come from a small school division, very small, in fact, and if the capital were to be raised more locally, there'd be school divisions who would not be able to build a new school or new facilities, and, I suppose, maybe that's one of the reasons why we don't like to see it changed. Certainly there was talk that maybe the four mill cap could be raised. I suppose there's many possibilities how to look at that, but as far as school boards wishing to put more input into capital, I would suggest that maybe leave it the way it is right now and have a look at it, maybe raise the four mill cap, something like that.

MR. ROWLATT: -- I guess I asked the question a little more gently than I intended to. We have talked a lot about autonomy, and how important it is to school boards, and how, with autonomy comes accountability. Where, in the operating side, 70, 75, 80 per cent external funding and some local funding is, sort of, as far as you feel you could go and still retain autonomy. Your argument of diverse capital needs is appreciated; I understand that. But I guess I am bothered by the fact that 90 per cent funding doesn't bother autonomy too badly when you've got it, and on the capital and operating it's not the same.

MR. JAKE VOLK: -- I don't think I'd agree with your observation, Don, that 90 per cent doesn't affect our autonomy. It does affect our autonomy, and, as we mentioned in our brief yesterday, we are prepared to admit that in the capital funding, the capital arrangements that we have, we do not have the autonomy that we do have in our operating grants. First of all, capital, the very nature of capital, doesn't make it nearly as imperative that we have that much local autonomy as we do in the operating grants because of the nature of operating and capital.

The second thing is that we fear in the capital requirements, the capital needs of boards are such that they are very unique to individual boards. You can name the boards in this province who are going to have capital commitments to make, and heavy capital commitments. And you could also name the boards in this province who have no capital commitment in the forseeable future. And therefore to set up a formula, or to expect these boards that have heavy capital commitments year after year to ask for a heavy local input would be destroying that equity we talk about.

You will recall we mentioned in our brief that the two concepts of equity and local control have to be weighed, and, we think, in the capital, particularly, because of the nature of the things that we've mentioned, that the local control has to be sacrificed for equity. We think the equity, if we stressed local control, we'd be creating a situation which some of our boards simply could not live with.

MR. CLAYTON: -- Mr. Neufeld, I believe you had your hand up.

MR. NEUFELD: -- Just a comment, Mr. Chairman. Mr. Rowlatt mentioned autonomy. I think that within the 90 per cent that you mentioned, we still have a certain amount of autonomy and probably a great deal of autonomy. First of all, we're talking about approved capital projects, and before we can proceed with any capital projects, we must have the approval by the department in order to get the 90 per cent. So I guess you can say maybe we don't have the autonomy to make the final decision.

However, as far as the 90 per cent is concerned, in our own school division two years ago we had a fairly major capital project which had been approved. We felt that it was not quite adequate for the system that it was in, and we decided to put in a fair chunk of local funding in order to get the type of capital project that we felt we needed, and we were not restricted at all in that case. And the people in the communities certainly did not object to it, as well, so we did have some flexibility there.

MR. CLAYTON: -- Thank you, Mr. Neufeld. Herve Langlois.

DR. LANGLOIS: -- Mr. Chairman, I was just going to make a comment about two different kinds of capital funding that we've discussed this afternoon. The capital funding for schools is based on the notion that an application is made to the province, the province establishes the priorities on which funds are provided and decides which projects will be provided, and then funds accordingly, based on the priorities based on the applications, the submissions in any given year. The school board can supplement the funding and can supplement the project with local funds if they wish. So the principle there is basically that these are government approved projects, each one approved in its own right.

On the other hand, the urban community capital fund, as I understand it, is one in which there is an unconditional distribution of funds on a per capita basis, so that the province does not get itself involved at all in determining whether a project, let's say, in Moose Jaw has higher priority than a project, say, in Regina. Basically that is left totally to the local communities to decide.

The only point that I'm making around this is that they're two fundamentally different funding structures as to how capital moneys are transferred to local government. Certainly, at least, I will be trying to determine the advantages and disadvantages of both, because they are philosophically very, very different, and they may very well need to be, to meet different needs.

MR. CLAYTON: -- If no one else has a question, there is one I would like to follow up on. Because of the fact that that four mill cap relates to the overall building program in the school division in a given year, it has been observed that once the school division has obtained approval for sufficient capital projects for the school division to have its input of four mills, which is the maximum, that any other building that they get approval for, over and above that amount really comes to the school division with 100 per cent provincial funding, and that therefore there is a great tendency for the formula, as it now is, to encourage school boards to apply for a whole lot of projects in one particular year; even may make sense from other standpoints to spread those projects out over a period of years.

And I guess I would ask the question, from the standpoint of the SSTA, to what degree does this phenomenon indeed exist? What is the degree of financial encouragement built into the structure of the formula to have school boards lump a whole lot of projects into one particular year? And I guess that was part of the question. I have a follow-up question to that, depending on your response.

MR. JAKE VOLK: -- I'm not sure that it's a serious problem in the first place. There undoubtedly are some boards who would like to take advantage of that. I can't blame them. If they can get buildings approved that would cost the board more than the four mills, they would be required to put in the four mills, and anything above that, as you have indicated, would be 100 per cent provincially funded.

However, I think there are enough checks and balances in this situation, in this arrangement, that I can't see much of that happening. Now it may happen, and I know it has happened on very isolated cases, for a variety of reasons. But first of all is the priority setting that takes place within the department, where the regional directors, as you know, take a look at all the requests and set up their priorities. And they are aware of the funding formula; they are aware of the impact it has on school boards and on the budget. That's the one.

The other one is, of course, the department itself, then, which has to give approval, and if the department sees that there are a dozen requests from one school division, the department can say, "No, we'll only approve so many." If there is any suspicion that someone is trying to use the system, and I use "use" in quotation marks, I have some difficulty in getting away with that. I don't think that's happening.

I think one of the observations that has been made is that because of the encouragement to lump a lot of projects into one year, that the provincial government then is forced to be the agency that exercises the discretionary power, if you like. They then have to be the ones that say no, and turn out to be the bad boys when, in fact, perhaps if a different formula existed that did not encourage such lumping, that the school boards themselves would cull out those lower priority projects that would not normally make it into a list of proposed projects put forth by that board. Do you have some comment on that?

MR. MANN: -- The government could, of course, I suppose, and we did talk about that in the round of finance meetings last fall, that allow only one building per 4 mill cap, and I suppose if that's the kind of control they want, the government will have to implement it. But the option is certainly there for them to do that.

MR. JAKE VOLK: -- I think if the government is the major contributor to the capital projects and makes the major decisions, I have some difficulty absolving them from also making the decision, then, of whether the project, in fact, goes or not. I think we accept that, and the boards accept it, that the department, in this case, is the major decision-maker in capital projects. They are the major funder; they are the major decision making; and I would like to think that that's just part of the major decision-making process which is theirs by virtue of the fact that they are the major funder.

MR. CLAYTON: -- Thank you. Mr. Thiessen.

MR. THIESSEN: -- I just can't help but make the comment, because I think it was you, Mr. Chairman, that said it. In some of those instances, maybe the politicians do get to be the bad boys with the decisions, but let's not also forget that by their own decisions they can also become the good boys.

MR. CLAYTON: -- Any further comments along this? Would it be the wish of the group to proceed now into a series of summing-up statements, or would we have any questions in the operating area? I don't want to close this off prematurely, but, on the other hand, I do sense that there is only so much energy that each of us possesses, and the afternoon might well profitably wind down fairly soon.

Do I have any opinions on where we go from this point for the next half hour or so?

MR. TAYLOR: -- Well, Mr. Chairman, I, frankly, am bushed, and I think we've had a good go-around today, and we look forward to having another conference next week. I'd be quite content if we had a wrap-up.

MR. CLAYTON: -- I hear some agreement across the way with that. Were you wanting to make a point, or were you expressing agreement?

MR. JAKE VOLK: -- Do you allow me one question before we go into it? That follows from the discussion just before the break, and we didn't get it in because of the break; if I could ask it now, and at that time I believe the SARM people were indicating that they were being unfairly treated in relation to the urban people, by way of government assistance, and I know this comes through several of the documents that we have. For example, the submission that was intended to go to government, and, as I understand, has not yet gone to government, suggests that rural people are paying approximately three times as much as urban people, in relation to services rendered, because of the property tax.

I'm in a bit of a quandary. Well, I have a question, but I'd also like to express my quandary. There is a report prepared by SUMA who incidentally is party, I understand, to this report that was to go to government, in which the authors suggest that the urban in Saskatchewan -- about 70 per cent of the people live in what is designated as urban centres, and they pay 67.5 per cent of the taxes.

I see an inconsistency here . . . my arithmetic, there is an inconsistency. It may be in my interpretation, but where, on the one hand, we're saying rural Saskatchewan is paying three times as much as urban, and on the other hand we're saying that they're paying 67 per cent where they should be paying 70 per cent. I would like some clarification on this.

MR. WILKINSON: -- Could I ask Jake a question through you? I understand the point of your question where we're saying that we're paying three to one. Would you rephrase the second part of your question? I think I missed the point.

MR. JAKE VOLK: -- In the SUMA report, making reference to relative contributions by urban and rural people, it makes -- and I guess I could find the quote here somewhere if I could look for it -- it says that about 70 per cent of the people in Saskatchewan are designated as urban people under The Urban Act, and they pay 67.5 per cent of the taxes.

MR. CLAYTON: -- Which, school or municipal, or . . . Mr. Wilkinson, you had a point.

MR. WILKINSON: -- I will try to answer your question. I'm not sure of the last part. That happens to be a SUMA figure, and I would suggest that it's probably fuzzy.

No, Jake, our statistic where we say that rural people are paying three to one for municipal services and for education, and even a greater amount than that for hospitals, but we'll say three to one there too, for consistency, is based on a survey that we took of actual taxes paid by farmers in 13 union hospital districts. Now this survey was taken first by a questionnaire, and it was followed up by a telephone call to each secretary. The secretary told us the amount of money that the taxes that were collected in each of these areas, hospital, school, municipal, from legitimate farmers, not taking industry into account. And then they told us the number of people that lived in that area. And, of course, from that we got our per capita figures.

MR. JAKE VOLK: -- I'd simply like to direct the question, then, to the SUMA representatives. They are a party to the brief that was to be presented to government, which says the same thing. And their report says 67 and 70, and maybe the SUMA people could tell us which one is, in fact, the one that they subscribe to.

MR. TAYLOR: -- Mr. Chairman, I'll make a comment, and the Executive Director can expand on it.

First of all, the figures that are quoted in the report that was done for SUMA, I'd respectfully suggest they are not fuzzy, seeing that the report was done by the Saskatchewan Research Council. You don't rely just on making phone calls and doing simple arithmetic.

MR. CLAYTON: -- We could have used this a bit just before the coffee break.

MR. WANKLING: -- Mr. Chairman, what Mr. Volk appears to be trying to do is say that SUMA is talking out of both sides of its mouth, by being a party to two different reports. We did have the Saskatchewan Research Council do a study on local government's financing a couple of years ago, and while we, for the most part, I think, agreed with a lot of things that were said by the report, we accepted the report, and we did not necessarily agree with everything that was in it, notwithstanding the fact it was my report.

Now since that time we have collaborated, if that's the right word, with the SARM in trying to take an approach with respect to the whole question of cost of education on property tax base, and we agree that we're a party to that report. We made our contribution to that report, as did the SARM, and we think that we demonstrated in getting together with SARM -- which over the years hasn't happened all that often on matters -- but we did get together with them and became a party to that report. I don't think that that statement that's in the joint report can be attributed to us directly. We'll have to take responsibility. We'll have to stand up and take responsibility to the fact that we did join with them in the preparation of that report. There are some things of theirs in there, and some of ours. We swallowed a bit with that particular item in there, and we accepted it in there, and we'll take our lumps with it. But we do not necessarily agree that it's three to one.

You can use per capita, or you can use assessment, whichever way you want to. And it's true, I suppose, that figures don't lie, but liars figure. Thank you.

MR. CLAYTON: -- I was going to say a little earlier that everybody seemed to be in such good humour that we couldn't get into a scrap here if we even tried. I don't think we'll press our luck. I think I'm going to exercise chairman's prerogative here now, try to make sure that we end on a positive note, and I'm going to call for some brief closing comments from each of the organizations in the order in which the briefs were presented.

So I'll call on the SARM first. Mr. Phelps.

MR. PHELPS: -- Yes, Mr. Chairman. We certainly appreciated the conference. We think the conference is very timely, and I'd like to congratulate you for the fine way in which you handled the conference and yourself. I think you've done a very, very good job of it, and I commend you for that, and also at the banquet last night.

We in the SARM will certainly be looking forward to meeting you quite a few times, I hope, over the next two years or so, in the life of the commission, and we will be willing to consult with you and co-operate with you in any way.

I would like to thank all the commission members for the fine way in which they handled themselves, and the questions they asked, and the fine way in which you participated in the conference.

I would also like to thank my local government colleagues on both sides here, all the way down, for their briefs and the fine way in which they presented them and handled themselves, too, during the conference.

And finally, I would like to thank my own delegation for being here, and the co-operation and the fine way in which they handled themselves during the conference.

I thank you, Mr. Chairman.

MR. CLAYTON: -- Thank you, Mr. Phelps. Who will be giving the closing remarks? Sister Roddy.

SISTER RODDY: -- Thank you, Mr. Chairman. We, too, appreciate the ability to be here and share in this conference, and also would like to commend you on the way you have conducted the conference.

We are pleased to note that there appears to be no disagreement with the principle of local financial support for hospitals. We feel that the local levy to support union hospitals must be maintained. This is a necessary supplement to the basic funding provided by the provincial Department of Health. It also encourages some local initiative, autonomy, re programming within those hospitals. We also feel very strongly that the gap between the levy on union hospital districts and the two-mill levy paid by most uncommitted districts must be closed. This could be accomplished by amending The Hospital Revenue Tax Act to require all uncommitted districts to pay out levy equal to the average union hospital district levy, that average to be recalculated on a reasonably regular basis.

We recommend that "not for profit," religious hospitals should promptly be given access to local funds. We also recommend that, within a reasonable period of time, the Minister of Health require all uncommitted districts to formally support a hospital, either by joining an existing union hospital district, or entering into a formal agreement of support with a hospital serving their citizens.

Our ultimate objective is co-ordinated planning for the health care, not just hospital needs of each district, and thus the subsequent distribution of funds raised through local levy. There seems to be a widespread agreement in this forum that a property-based tax is not a logical source of local funding for hospitals. This does not, however, contradict the principle that some local funding is vital to our hospitals, and not just for financial reasons alone.

We would appreciate reviewing a detailed response from the commission to our brief. We hope to have the opportunity to provide further input, particularly re the special case of base hospitals. We intend to encourage our members to make individual submissions to the commission's regional meetings. Thank you.

MR. CLAYTON: -- Thank you, Sister Roddy. Saskatchewan School Trustees Association. Mr. Mann.

MR. MANN: -- Mr. Chairman, our association would sincerely like to thank the commission for having us here, and so we were able to take part in this two-day round of meetings. We would like to thank the other organizations for being there with us, and I think any time we can get as many people together to talk on a serious subject as finance of local government, I think we're making progress.

A couple of points I'd like to leave with the commission, and two points that I feel that the association is really stressing for, and that is the suggestion to government that the government transfer payments to school boards be increased. I think we have to start looking at that quite seriously, and we hope the commission will do that as well.

And secondly, school boards must maintain the right to have access to local taxation, and right now, I guess the school didn't. SSTA and school boards feel that property tax is the only local tax which is stable and that they can have access to, and we certainly would like the commission to look at that.

We will be prepared at any time to meet with the commission from now on within the next year or so, and thank you again for having us here.

MR. CLAYTON: -- Thank you, Mr. Mann. I believe it was the Saskatchewan Library Trustees Association who was next. Mrs. Darrach.

MRS. DARRACH: -- SLTA would like once again to thank Mr. Clayton and the commission on the local government finance for the opportunity to take part in this conference. The arrangements at dinner last evening, whereby each of us was able to meet and talk with members of each of the other groups, was excellent. I liked that idea.

I'd like to bring up just one little point from our brief in which we stated the status quo or present taxation system is satisfactory. Please note we did not say the level of funding was satisfactory. We just said the method of taxation was satisfactory.

SLTA feels that this conference has proved to be a very good opening exercise on financial matters and has provided all of us with a good deal of food for thought. For my own part, I feel it has been -- and dare I use the phrase here? -- very educational.

We plan to take all this information back, discuss it very extensively within the SLTA executive, and with our individual boards as well. After that, we will present our views to our convention in Saskatoon on October 26 and 27, and get the opinion of other trustees. When that is done, we will arrange to bring the results of all these deliberations back to the commission.

Thank you once again.

MR. CLAYTON: -- Thank you, Mrs. Darrach. Mr. Taylor from the Urban Municipalities Association.

MR. TAYLOR: -- Mr. Chairman, thank you and the members of the commission for arranging this conference, and for creating the atmosphere in which we have not only been able to present our various positions, but also have been put into a learning situation. Regardless of whether we have fixed positions, I believe we have each learned from the other, and have also learned from the questions directed to us by members of the commission.

We wish you well in your journeyings around the province and your meetings. We look forward to meeting with you or being with you at some of those. More particularly, we look forward to the ongoing discussions between the commission and our various groups, either separately but hopefully, on other occasions, collectively. The last two days, the surface has been scratched. I think among other things it has shown to us just how complex are some of the problems, and how much work you have to do. And hopefully we do it with you.

Yesterday Mr. Rowlatt asked a question of two of the organizations. I was very impressed by the question when he asked it the first time. It caused me to sit back and attempt to answer it on behalf of my own organization.

So, Mr. Chairman, I'd like to close, along with giving you our expression of appreciation -- close with answering, or giving my views on an answer to the question which he asked. I believe he termed the question something like this: what are your visions, or what do you see down the road for the next 10 years? I think it is a good question for all of us, regardless of whether we're in government, or even in life.

Speaking as the president of SUMA, what would be my vision for the next 10 years? I hope they will stem out of the work of this commission. My vision would be increasing acceptance by the other two levels of government, of urban government as a full partner, and through such acceptance, ongoing, tri-level consultations, planning, and financing, resulting in communities with sound, safe infrastructure, communities in which the aged live in security and peace, the sick receive care, the young are educated, the employable are employed, and the taxpayer receives full value for his tax dollar without waste or duplication.

Thank you very much for these two days.

MR. CLAYTON: -- Thank you, Mr. Taylor. I can say without reservation that the commission is extremely pleased with the way this conference has gone. I'm going to talk a bit about that and the follow-up to this conference, but I first want to express a few words of thanks of my own.

I want to express my thanks, first of all, to my fellow commissioners who have been a very, very good group to work with. They're very diligent, and they are very much inclined to, while being frank in the expression of their views on the one hand, want to be team players on the other. They're certainly dedicated to working together as a team to try to find some solutions, along with the local governments in Saskatchewan, to the problems that we're facing.

I want to thank my staff. You know, it's a rather small staff, but I couldn't think of a more effective group of people. I think of Don Koop here, who left a permanent position in the Department of Urban Affairs to take a task with this two-year commission, not knowing what may lay at the end of that road, because he was extremely interested in this matter and wanted to be part of it.

I think of Arleen Hynd who is working with us, an extremely bright, capable, energetic, reliable person that has just been terrific in the work that we have been doing. Brian Hamill, Mike Dumelie, and my secretary, Marie Cummings, who was under just an awful lot of pressure in connection with the preparations for this conference. Irene Rau and Debbie Wilkie from the Department of Urban Affairs, who did a great deal of the more detailed work on the planning for the physical arrangements for the conference here and at the banquet last night. And my thanks to Dave Innes, the deputy minister of Urban Affairs, for making those people available to us.

This is, of course, the beginning of a process. We've mentioned before that we plan to have the 11 regional meetings. We plan to start each of those meetings at 10 a.m. in the morning. We plan to hear briefs, comments from anyone that cares to come out and speak to us. Organizations, individuals, even if you folks want to come out again and talk to us in that setting, that would be quite all right. We plan to provide for opportunities for people to ask questions and make comments on the briefs they have heard, not unlike the process we've had here.

We will be holding follow-up meetings with the organizations represented here. We know our task is large, and we know that we're facing both short-term and long-term issues. The commission is not a group that is likely to be stampeded prematurely into coming up with conclusions. I think the commission has determined that they want to hear all that needs to be heard, and to find all the information that is to be found reasonably, before conclusions are reached.

I think here over the past couple of days we have developed some further understandings on some basic concepts, on some fundamental concepts that are pretty important to local government. It may not have seemed that we reached complete unanimity and complete understanding, but I can see it from this vantage point, how far we have indeed come on the concepts of autonomy and accountability.

We began exploring the implications of a number of initiatives that had been suggested, some of them in the form of a bit of kite-flying perhaps, but other more serious suggestions. We began the exploration of the implications. We did not, by any means, complete that here, but we will carry on and do more of that in the weeks ahead.

I think there's been an awful lot of goodwill generated here. I think we're all leaving here just a bit closer than when we came. Very shortly we are going to have to leave the broad general principles and concepts that serve as a basis for evaluating issues and possible solutions, and get into some arithmetic. We need to look at the costing of some of our potential solutions. We need to look at the implications, the shifts that can take place in terms of who pays the ultimate bill, and that sort of thing. I think collectively we need to quantify more of these concepts. For example, I think we obviously cannot contemplate seriously an income tax rate up in the area of 70 or 75 per cent. We need to know, we need to talk from this point forward in our discussions, knowing what the dollar implications, what the implications are for our tax structure of different proposals in rather specific terms. We can only go so long, I guess, talking in terms of general concepts.

We need to think of the redistributive effects of structural changes, the redistributive effects in terms of what happens with individual local government units, but also individuals who pay taxes.

We had, I think, a good discussion of the issues, and everyone came prepared indeed to discuss issues. There was not a mere submission of a lengthy wish list, kind of dumping the whole problem on the province. That did not take place. At the same time, there was no reluctance on the part of the local government organizations here to try to look ahead and to put some very round dollar figures, if you like, to outline some of the major challenges financially facing local governments over the next decades.

I think if there were one way of measuring the success of a conference it would would be to listen to the discussion in the hallways towards the end of it. I think it's significant that the discussion out at coffee break time was not about the football game or the weather. It was about what we are discussing here. I think there was a keen level of interest demonstrated by all throughout. We're leaving that way. I think, had we tried to carry on a bit further, I don't know that we would have. I think, along with Mr. Taylor, I feel bushed. I sense a few others of us do as well.

Ladies and gentlemen, I think we've had a most successful conference. I want to thank all of you for making it that way, and will now declare this conference adjourned.